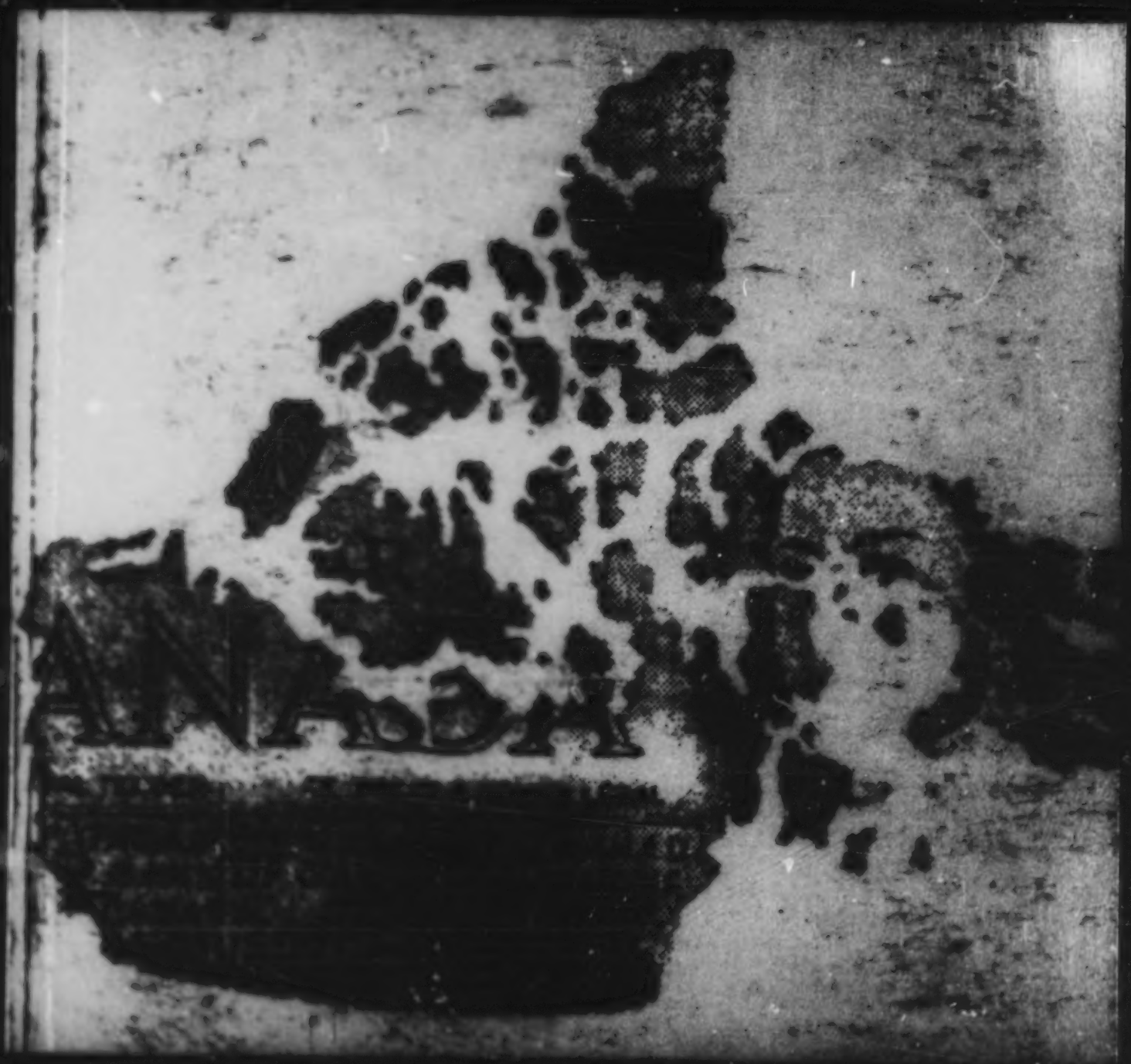
COPING WITH THE CASH

A Finacial Review Of Four Northern Land Claims Settlements With A View To Maximizing Economic Opportunities From The Next Generation Of Claim Settlements In The Northwest Territories



Background Study prepared for the N.W.T. Legislative Assembly's Special Committee on the Northern Economy

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A FINANCIAL REVIEW OF FOUR NORTHERN LAND CLAIMS SETTLEMENTS WITH A VIEW TO MAXIMIZING ECONOMIC OPPORTUNITIES FROM THE NEXT GENERATION OF CLAIM SETTLEMENTS IN THE NORTHWEST TERRITORIES

Prepared For The Legislative Assembly's
SPECIAL COMMITTEE ON THE NORTHERN ECONOMY

By

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May 1989

This Background Study is one of several prepared for the Special Committee on the Northern Economy. It is being released in the hope that it will be widely circulated and discussed.

The findings of this report are the personal responsibility of the author and do not necessarily reflect the views of the Special Commmittee on the Northern Economy.

May, 1989

TABLE OF CONTENTS

Summary and Inuktitut Translation i

Executive Summary ii

Introduction vi

CHAPTER ONE:

Profiles Of Selected Land Claims Settlements I

CHAPTER TWO:

A Profile Of The Economic Benefits Of Pending 59
Northwest Territories Land Claims Settlements

CHAPTER THREE:

The NWT Economy And Predictions Of Claims 82
On The Private Sector

CHAPTER FOUR:

Impact Of Claim Settlements On Governments 97

CHAPTER FIVE:

Four Investment Scenarios For Land Claims Settlements 112

Recommendations 124

READER'S NOTE

Each chapter of this report contains separate Notes and Reference sections. The Notes give more detail on points made in the text and often provide supporting tables and figures. The References indicate other work which has been reviewed in preparing the report.

Capitalized type has been used throughout the report to highlight points of special significance.

SUMMARY

(Prepared by Project Staff)

Introduction

Within the next several years the Dene-Metis and the Inuit will likely settle their land claims. These settlements will have an impact upon the northern economy. The Special Committee on the Northern Economy asked a group of consultants - the Sustainable Development Research Group of the Arctic Institute, University of Calgary - to assess what that impact will likely be.

To accomplish this task the consultants reviewed the economic impact of the Alaskan Settlement, the Inuvialuit Settlement, and the James Bay Cree and Northern Quebec Inuit Settlements. They then provided some estimates of the potential impact of the NWT settlements based upon different ways the beneficiaries might choose to use and distribute their resources.

I. PROFILES OF SELECTED LAND CLAIMS SETTLEMENTS

The Alaska Native Claims Settlement Act

SETTLEMENT. The Alaskan natives negotiated a settlement of $962.5 million paid out in a ten year period between 1972 and 1982. Along with the cash they also received 44 million acres of land, including surface and subsurface rights.

GOVERNING BODIES. The beneficiaries set up 13 regional corporations to administer the land and cash. At the local level, over 200 village corporations were established.

ECONOMIC ACTIVITY. Money was invested in low risk businesses, new business ventures and other kinds of investments.

PROFITABILITY. In general the regional corporations have struggled to survive.

One corporation has averaged a 7% to 10% return on assets and equity. But the total average for the period 1974-1987 for 11 of 13 corporations was -1% return on assets and -4% return on equity. The corporations would have done better by simply investing in government saving bonds.

The short and medium term social benefits have been limited. Direct dividend payments to beneficiaries have been small or non-existent.

PROBLEMS.
Implementation of the claim was slow.

There was a great deal of time-consuming, expensive litigation.

There were few viable investment opportunities in rural areas.

Mixing economic and social goals created problems.

The James Bay and Northern Quebec Agreement

SETTLEMENT. Signed in 1975, the claim gave the Cree and the Inuit $225 million, (136.6 million for the Cree; 88.4 million for the Inuit). In terms of land, the beneficiaries received 5,408 square miles in fee simple, access to 60,130 square miles for hunting and fishing and some additional Category III lands.

GOVERNING STRUCTURES. Regional Governments along with numerous other boards and authorities were set up. Two corporations - Makivik Corporation for the Inuit and the James Bay Regional Authority Board of Compensation for the Cree - were established to oversee investments.

PROFITABILITY. Limited information. Returns on average total assets were 8.6% to 9.8% for Cree in 1987-1988. No information for the Inuit.

SOCIAL OBJECTIVES. There is very high unemployment among native peoples in the region. Training programs have been put in place to improve skills.

DIVIDEND PAYMENTS. None have been paid to date.

PROBLEMS. There was no adequate implementation policy.

Northern Quebec is a region with limited investment opportunity and no significant natural resources.

An extensive bureaucracy has been created; there is a lack of skilled native people to administer the claim.

The governing structures left little room for individual action; this has inhibited small business development.

The Inuvialuit Final Agreement

SETTLEMENT. Settled in 1984, the claim agreement gave the Inuvialuit title to 35,000 square miles and $161.6 million dollars.

GOVERNING STRUCTURES. Six communities formed non-profit community corporations. The Inuvialuit Regional Corporation (IRC) administers the claim through various organizations and businesses.

ECONOMIC IMPACT. There are various investments in the NWT and Western Canada: retail and wholesale marketing, businesses in the oil patch, real estate, transportation, etc.

PROFITABLITY. A total mean return of 2.7% on assets to 3.4 % on equity for a five year period (1982-1987).

SOCIAL OBJECTIVES. No comprehensive employment figures available. Various training programs have been set up. Plans are being developed to provide programs in the area of health, housing, education, care for the elderly, etc.

DIVIDEND PAYMENT. In 1988-1989, $1,000 for each elderly person over 50, and $100 for each beneficiary.

PROBLEMS. Limited investment opportunities in the region.

High beneficiary expectations are causing some dissatisfaction.

A Summary and Comparison

Within each claim there are conflicting expectations on the part of beneficiaries.

Implementation has proved difficult. Beneficiaries have difficulty understanding the legal complexities. There has been a heavy and costly reliance on outside expertise. In some cases governments have not lived up to their obligations and there has been costly litigation.

Native organizations have been ten to fifteen years away from developing their own staff to manage claims.

Money management has been a problem. Some unreasonable risks have been taken. In most cases, there has been poor financial progress.

All claims have had difficult reconciling economic objectives with social objectives.

2. ECONOMIC BENEFITS OF PENDING NWT CLAIMS

Since the Dene-Metis and Inuit Claims have not yet been settled, complete information is not available. The analysis in this section is tentative.

INTANGIBLE ECONOMIC BENEFITS. Claims settlements will bring more economic stability and a better investment climate.

CASH COMPENSATION AND PAYMENT SCHEDULES. The consultants stress the importance of payment schedules.

By spreading out the payment schedule and placing the bulk of the payments in the final years, the Inuvialuit have more than tripled their accumulated cash payout.

If the Dene-Metis and the Inuit do the same, they could triple or quadruple the total payout. With careful planning and management they could control $3-4 billion. These funds could generate an annual income (at 10%) of $300-$400 million ($10,000 to $13,000 per year) for each beneficiary.

LAND. Proper land selection is critical. Beneficiaries will have to make trade offs: traditional lands for lands with more economic potential.

Income can be received from land through rent, leasing and access agreements, and land development. Development of natural resources will also provide benefits.

MANAGEMENT INSTITUTIONS. There will be about 100 new boards and organizations to oversee water resources, environmental impacts, heritage and information resources, land use planning, etc. These will provide some jobs and honoraria. The consultants estimate that a $7-10 million land claims management industry will be created.

There is a real danger, however, that there will be a proliferation of overlapping regulatory regimes.

EMPLOYMENT. There will be increased employment in new aboriginal organizations, and in Park Conservation and Heritage sites. According to some signed sub-agreements, native peoples will be entitled to a representative number of public sector jobs.

EXCLUSIVE AND PREFERENTIAL OPPORTUNITIES. The agreements provide for preferential use of wildlife, rights of first refusal for the purchase of existing tourism businesses, and exclusive rights in certain areas of resource development. In addition the aboriginal organizations will receive certain tax benefits.

To summarize: pending land claim agreements will have a strong impact on the economy of the NWT over the next 25 years. The business environment will become more predictable and profitable. Settlement corporations will control large funds capable of earning and disbursing hundreds of millions of dollars annually. Disposable cash income supplements will have a tremendous impact on local economies.

3. PREDICTIONS OF CLAIMS IMPACTS ON THE PRIVATE SECTOR

The impact of claims upon the private sector will depend, in large part, on how the aboriginal organizations decide to use their resources.

It will also be different for different kinds of communities. The consultants present a number of possible investment options that are open to the beneficiaries.

INVESTMENT STRATEGIES. There are a number of potential investment strategies which are not mutually exclusive.

Investments in mega projects and local businesses are a possible option. Both types of investments carry risks and should be pursued only if social and financial objectives set by the beneficiaries warrant such investments.

Financial Portfolio Investments in NWT companies is a limited option since there are very few NWT companies. Those that do exist are often risky from an investment point of view.

Portfolio investments in companies outside the NWT present many more opportunities. These include: stocks, bonds, and debentures; mortgages and real estate; treasury bills and certificates of deposit, etc. A diversified portfolio seems to be one of the best options because it provides some security and is best able to withstand economic recession.

A one-time distribution of cash would inject a large amount of money into the economy, in private hands, at one point in time. But it would carry considerable risk in the hands of new and inexperienced investors. Once spent, a one-time investment is gone forever.

Trust funds seem to be one of the most viable options. They allow aboriginal groups to take "financial windfalls" and stretch them out "in perpetuity". The consultants feel that trust funds provide an ideal investment for land claims beneficiaries. They bring new money into the community and they ensure long-term economic benefits.

There are arguments for and against dividend payments. Because they inject money directly into the economy, some people see them as beneficial. Others believe that they are a form of welfare and suppress individual initiative. The consultants feel that the benefits of dividend payments outweigh the disadvantages. One of the major benefits of dividends is their multiplier effect: in the long run they tend to cause an increase in employment. In Alaska, dividends have had an overall positive effect. However, dividend payments should not be made unless the native organization is in a solid financial position.

In summary, the likely impact of claims settlements on the private sector will be: to stimulate the private sector and alleviate reliance on government; to create a more sustainable economy less dependant upon resource extraction and government transfers; to increase individual purchasing power and increase the standard of living.

4. IMPACT OF CLAIM SETTLEMENTS ON GOVERNMENTS

Residents of the NWT are highly dependent upon government. Claims settlements provide the opportunity to break some of this dependency.

The consultants believe, that, in terms of economic development, government should play a secondary role. Individual entrepreneurs as well as community and regional development projects should be the prime force behind achieving sustainable economic development. Native organizations will become the senior partner in the economic development process.

Governments must be restrained in terms of their temptation to get their hands on some of the "profits" derived from settlements.

The Department of Education must play a key role in providing training and job skill development. In addition to primary and secondary training, the Department should develop managerial and related professional degree programs.

Transportation subsidies may be required on all freight throughout the Territories.

Initiatives for tourism should begin in the communities and regions. The Department of Economic Development should play a supportive role.

The Department of Renewable Resources should provide support for hunters and trappers.

Claims settlements may create the conditions by which more responsibility can be transferred to native organizations.

5. FOUR INVESTMENT SCENARIOS FOR LAND CLAIM COMPENSATION

In this chapter the consultants present four different scenarios based upon experience with other claims settlements.

I. GIVE IT ALL AWAY. Immediate windfall cash presents investment opportunities to beneficiaries. But the risks are high. Evidence from other claims indicated that this is not a viable option.

2. REGIONAL CORPORATIONS SPEND THE PRINCIPAL ON LOCAL BUSINESS RISK INVESTMENTS. This is the basic investment strategy of existing native development organizations. This strategy provides cash infusions for existing businesses and the creation of new businesses. But, it is highly dependant upon outside consultants, requires a significant bureaucracy, and is influenced by the boom-bust syndrome.

3. A DEVELOPMENTAL TRUST FUND IS CREATED TO STEWARD THE CASH COMPENSATION PRINCIPAL. Beneficiaries forgo dividends for the first five years. Money is invested in secure investments. The disadvantages: limited direct cash infusion in the economy during the early years, and limited short-term employment opportunities. The advantages: security of cash investments and a broader range of investment options.

4. THE CULTURAL ARK. This option is similar to #3 but the emphasis is upon an aggressive program of hunter and trapper support. The bush economy is fostered and industrial development of native lands is forbidden.

The consultants recommend a mixed investment strategy based upon three basic goals. First, a portion of the revenues would be used to provide dividends for elders. Second, a portion of the cash would be used to increase the resources for scholarships and bursaries supporting education. Third, the balance of the cash would be used to develop a secure trust fund.

RECOMMENDATIONS

1. The GNWT should work with the Federal Government and the beneficiaries to ensure that clearly written formal implementation procedures and delivery mechanisms are included in each final agreement, and are adhered to on schedule.

2. The GNWT in concert with beneficiaries should collectively develop a plan to address how existing financial and technical resources can be better utilized to maximize training and experience that the beneficiaries will require to take advantage of economic development opportunities generated by the final agreements.

3. The Canada Employment and Immigration Commission (CEIC) and the GNWT Department of Education should join with claims implementation and business groups to create a human resource planning board with representation from all organizations with a stake in native training.

4. The GNWT Department of Education should require that carefully designed and publicly available evaluations be conducted of all training programs in order to create a training program data bank for planners to draw upon in the creation of new programs.

5. The GNWT and the beneficiaries should coordinate scholarship, bursary and graduation awards to provide incentives for educational attainment.

6. As part of its support for programming for land claims beneficiaries, the GNWT should consider the feasibility of creating degree programs in management and related business professions in the NWT.

7. The beneficiaries should seriously consider the creation of a developmental trust fund to steward and sustain the cash component of their comprehensive claim settlements.

8. The GNWT Department of Economic Development and Tourism should consider the creation of an incubator secretariat to nurture small business start-ups.

9. The GNWT Department of Economic Development and Tourism, the Department of Renewable Resources, the Employment Development Agency of the Department of Education and the Canada Employment and Immigration Commission (CEIC) should create a tourism training strategy.

10. The GNWT Department of Economic Development and Tourism, the Employment Development Agency of the Department of Education, and the Canada Employment and Immigration commission should create an information and service sector training strategy.

11. The GNWT Department of Renewable Resources and the beneficiaries should conduct a feasibility study on the design of a harvest support program before the signing of the final agreements.

12. The new GNWT Department of Transport should consider the feasibility of a uniform territorial policy to cut transportation costs.

13. The GNWT should merge the Departments of Economic Development and Tourism and Renewable Resources into a new Department of Sustainable Development.

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ᐅᑭᐅᑦ ᖃᓄᐃᑐᓇᐃᑦ ᖃᐅᔨᓴᑕ ᐃᓐᒪᓕᑦ-ᐊᓕᖏᓪᓗ ᐊᓱᒪ ᐃᓄᐃᑦ ᓄᓇᑦᓯᓚᐅᖅᑎᓐᓄᑦ ᐱᐊᓂᔪᒪᓕᓕᐅᕐᓂᐊᕐᓇᖅᑐᑦ. ᑕᒪᓐᓇ ᓄᓇᑦᓂᐅᔪᖅ ᐃᓕᐱᕆᐅᓂᐊᕐᓇᖅ ᐅᑭᐅᑦᑎᑐᒥ ᐅᓇᐅᖓᓕᓂᖅᓯᓂᑦ. ᑲᑎᒪᓕᕆᓪᓚᖅᐃᓐᓇᑦ ᐅᑭᐅᑦᑎᑐᒥ ᒪᑭᒪᔨᓂᖓᓂᑦ ᐱᔨᑦᓂᕐᓂᐊᕐᓂᖓᓂᖅᓄᑦ ᐅᑭᐅᑦᑎᑐᒥ ᐅᖃᓕᒫᓂᑦ ᐊᐅᓚᓂᐅᑦᑐᑦ ᐅᖃᐅᑦᑎᑐᒥ ᐃᓕᓴᕐᓂᐊᕐᓇᖅᑐᑦ-- ᐊᓂᐅᒪᓕᐊᓕᐅᓇᓕᖅᑐᑦ ᐱᓕᕆᓂᕐᓂᐊᕐᓂᖓᓂᖅᓄᑦ ᖃᐅᔨᓴᐃᓕᓂᖅᑐᑦ ᐅᑭᐅᑦᑎᑐᒥ ᐃᓕᓂᕐᓂᐊᕐᓇᖅᑐᒥᓗ, ᓯᓚᑐᖓᓂᖏᓐᓄᑦ ᐊᑦᑐᓚᑦ--ᖃᐅᔨᓴᐃᒪᓕᑦ ᖃᓄᖅ ᐃᓕᐊᓐᓂᓚᐅᑎᓂᐊᕐᓇᖅᑐᑦ ᐃᓕᓂᕐᓂᐊᕐᓇᖅᑐᒥᓗ ᐅᑭᐅᑦᑎᑐᒥ ᐃᓕᓂᕐᓂᐊᕐᓇᖅᑐᒥᓗ ᐊᓯᖏᓐᓂᖅᓄᑦ

ᖃᓄᐃᓇᐅᓕᕆᔨᓄᑦ ᐃᑲᔪᑎᖃᓄᑦᑎᐊᕐᓇᖅᑐᑦ ᑭᓇᐅᔭᖏᑦᑐᕐᓗᑎᑦ ᓄᓇᕗᒻᒥ ᐅᖃᓗᐃᓕᒥ ᑎᑭᐅᑉᐳᓚᕆ-ᔨᕐᑐᓂᒃ.

ᐊᑯᓂᓱᓕᕐᓂᑎᑦᑕᐅᓂᖅᑐᑦ ᑭᓇᐅᔭᖏᑦᑐᕐᕈᕐᓂᑦ ᑭᑐᑐᐃᓐᓇᐃᓐᓕᓵᖅ ᑐᑦᓯᐊᓂᔪᓚᑲᖅᑐᑦ ᐃᓚᒋᔨᑐᑦ ᓴᖅᑭᑎᓂᔪᑦᑕᐅᓕᕆᔨᓄᑦ.

ᓴᓪᓕᑦ ᕿᐃᒥ ᑯᕿᐃᓐᓱᒃ ᑕᑎᖏᓚᒋᓂ ᐊᖏᔪᑎᓕᐊᑦ

ᓄᓇᒋᓚᑲᐅᔪᑦ. ᐊᑎᓕᐅᑦᑕᐅᓕᐅᑦᑐᖅ 1975-ᒥ, ᓄᓇᕗᑦᑕᐅᔪᖅ ᑯᐸᓂᑦ ᐃᓄᐃᓂᑦᓱᒃ $225-ᒥᓕᓴᐃᑎᑎᓂᓕᐅᑦᑐᖅ, (136.6 ᒥᓕᓴᐃ ᑯᐸᓄᑦ; ᐊᒻᒪ 88.4 ᒥᓕᓴᐃ ᐃᓄᐃᓄᑦ). ᓄᓇᐃᑦ ᐃᓱᒪᒋᓱᑦ, ᐃᓕᓴᕐᑕᐅᔪᑦ ᑐᓂᔅᐅᓂᖏᓕᐅᑦᑐᖅ 54,08 square miles-ᓂᑦ ᐊᖏᑎᑎᓕᒥᑦ, 60,000-ᓂᑦ square miles-ᓂᑦ ᐊᑐᓵᓱᐊᖅᑲᓇᑕᓂᑦ ᐃᖏᓕᐅᖅᑲᓇᑕᓂᑦ ᐊᒻᒪ ᐃᓕᒥᐊᕐᓂᖅᑐᑦ 111-ᓄᓇᓂᑦ.

ᑎᒥᒃᓴᐅᔪᑦ ᐊᖏᔪᐅᒪᓂᖅᑐᑦ. ᐊᐃᑐᑐᒪᓂᐅᔪᓂ ᒪᓕᒪᐃᑦ ᐊᓱᖅᑐᓂᑦ ᐃᓕᖏᑦᓂᑎᑦ ᑲᑎᒪᔨᓂᑦ ᓴᖅᑭᑎᑐᓂᓱᒃ ᐊᖏᔪᖅᑕᐅᓕᐅᑦᑐᖅ. ᒪᑭᑦ ᔪᐊᑐᕆᓴᖅ ᒪᑭᐃᑦ ᔪᐊᑐᕆᓴᖅᑐᑦ ᐃᓄᐃᓂᑦ ᐊᒻᒪ ᔭᐃᑦᑐᑦ ᕿᐃᒥ ᑯᕿᐃᓐᓱᒃ ᐊᐃᑐᑐᒪᓂᐅᔪᓂᑦᑕᐅᓕᐅᑦᑐᑦ--ᐊᖏᔪᖅᑕᐅᓕᐅᑦᑐᖅ ᐅᓇᓕᕆᔨᐅᑎ-ᔨᑕᐅᓚᑦᑐᑦ ᖃᐅᔨᓴᐅᑎᓂᓕᐊᓱᒃᑐᑦ.

ᐃᑲᔪᑎᖃᓄᑦᑎᐊᕐᓇᖅ. ᑐᓴᖅᑐᑦ ᐅᒥᓕᖅᑐᑦ. ᐅᑎᖅᑐᑕᐅᓕᐅᑦ ᐱᔭᕐᑎᓕᐅᕐᓂᑦ 8.6%-ᔭᓕᐅᑦᑐᑦ 9.8%-ᒧᑦ ᑯᓱᑯᓐᓄᑦ 1937-88-ᒥ. ᑐᓴᒪᓂᕐᒥᔪᓂᑦ ᐃᓄᐃᓂᑦ.

ᑭᑐᑐᐃᓐᓇᐃᑦ ᑐᑦᓯᐊᓂᔪᓚᑲᖅᑐᑦ. ᓴᓇᖅᑐᑦ ᐊᒥᓱᓕᓚᐅᕐᓇᑦ ᐊᐃᑐᑐᒪᓂᐅᔪᓕᒥ. ᐃᓕᓐᓂᐅᐊᓂᑎᑎᓂᑦ ᓴᖅᑭᑎᑐᓂᓱᒃᑐᑦ ᓴᓇᖅᑐᑦᑕᐅᓕᕆᔨᓄᑦ ᓇᓗᓇᐃᓐᓇᕐᓂᒃ ᖃᐅᔨᓴᐅᑎᓂᓕᐊᓱᒃᑐᑦ.

ᓇᖏᓂᖅᓄᖅᑕᐅᓂᒍᑦ ᐊᑭᓐᔅᑕᐅᓕᐅᑦ. ᐅᑦᓗᒥᒍᑦ ᑎᑭᐅᑉᐳᓚᕆᔨᐅᕐᓇᒥ ᐊᐃᑐᑐᒪᓂᐅᔪᓕᒥ ᐊᐃᑐᑐᒪᓂᐅᔪᓂ ᐅᖃᓗᐃᓕᒥ ᐊᐃᑐᑐᒪᓂᐅᔪᓂᑦ ᐃᓄᐃᓂᑦ ᐊᒻᒪ ᓴᖅᑭᑎᑐᓂᓱᒃᑐᑦ.

ᓇᖏᓂᖅᓄᖅᑕᐅᓂᒍᑦ ᐊᑭᓐᔅᑕᐅᓕᐅᑦ. ᐅᑦᓗᒥᒍᑦ ᑎᑭᐅᑉᐳᓚᕆᔨᐅᕐᓇᒥ ᐊᐃᑐᑐᒪᓂᐅᔪᓕᒥ ᐊᐃᑐᑐᒪᓂᐅᔪᓂ ᐅᖃᓗᐃᓕᒥ ᐊᐃᑐᑐᒪᓂᐅᔪᓂᑦ ᐃᓄᐃᓂᑦ ᐊᒻᒪ ᓴᖅᑭᑎᑐᓂᓱᒃᑐᑦ.

ᐃᓕᓴᕐᓂᑦ . ᐃᓕᓴᕐᒥᑦ ᐊᑐᓕᑎᓂᓕᐅᕐᓂᒪᓕᕐᓂᑦ ᐊᑐᐊᒋᑦ.

ᑯᕿᐃᑦ ᑕᑎᖏᓚᕆᔨᐅᑦ ᐊᐃᑐᑐᒪᓂᐅᔪᓕᒥ ᐊᐃᑐᑐᒪᓂᐅᔪᓕᐅᖅ ᐱᔭᕐᑎᓕᐅᕐᓂᖏᓐᓂᑦᑕᐅᓂᒃ ᐱᓕᕆ-ᑲᓂᔾᔪᓇᑐᓂᓱᒃ ᐱᓕᓚᐅᔪᓂᖏᓕᕐᓂᑦᑕᐅᓂᒃ.

ᓴᖅᑭᑎᓂᕐᒧᒪᓕᒃᑐᑦ ᐱᓕᓚᐊᖅᓂᑦ ᐊᔪᓇᑐᑐᒪᓂᑦ; ᖃᓄᐃᓇᐃᓕᖏᑐᑦ ᐃᓕᓴᕐᑕᐊᓕᒪᓂᕐᓂᐊᑐᒪᒃᑕ ᐱᓕᓚᐊᖅᑲᓇᑕᓂᐊᓕᕐᓂᑦᑕᐅᓂᒃ ᓄᓇᕗᒻᒥ ᐃᓕᓴᕐᑕᐅᓂᒃ.

ᑲᓇᒪᓕᓚᓂᑦᒍᑦ ᐃᓕᖅᑲᓇᑕᐅᓕᐅᑦ ᐃᓱᒪᓕᑎᓂᖅᓄᖅᑎᓂᑎᑦᑎᓂᑦ; ᑕᒪᓐᓇ ᓂᖅᖃᖏᓂᑎᓂᑦᑎᓕᐅᖅᑐᖅ ᒥᑭᔪᓂᑦ ᓇᓕᓂᖅ ᐱᓇᓱᐊᓚᕆᔨᐅᓇᕆᓂᑦ.

ᐃᓄᐊᐊᓚᐃᓐᓇᑦ ᐊᖏᔪᐅᒪᓂᐊᖏᑦ

ᓄᓇᒋᓚᑲᐅᔪᑦ. ᐊᑎᓕᐅᑦᑕᐅᓕᐅᑦᑐᖅ 1984-ᒥ, ᐊᖏᔪᐅᒪᓂᐊᕐᓂᖅ ᐃᓄᐊᐊᓚᐃᓐᓇᓕᐊᑦ ᑐᓂᓯᔪᓕᐅᑦᑐᖅ 35,000 square miles-ᓂᑦ ᐊᒻᒪ $161.6 ᒥᓕᓴᐃᓂᑦ.

ᑎᒥᒃᓴᐅᔪᑦ ᐊᖏᔪᐅᒪᓂᖅᑐᑦ. ᐊᐃᕐᓂᓕᑦ ᓄᓇᕗᑦ ᐊᖏᔪᕐᓯᓕᐅᑦᑐᖅ ᐱᓕᕆᔨᓄᑦᑕᐅᓂᒃ ᓄᓇᕗᒻᒥ ᔭᐃᑦᑐᑦ ᐃᓄᐊᐊᓚᐃᓐᓇᑦ. ᐃᓄᐃᓐᓇᐃᓐᓕᓵᖅ ᔭᐃᑦᑐᑦ (IRC) ᐱᓕᕆᓂᑦ ᐊᐅᓚᑎᓐᓂᒃᑐᑦ ᐊᓯᖏᓪᓗᓂᑦᔨᓴᒃᑯᑦ ᑲᑎᓯᓂᑎᓂᑦᑎᓕᐅᖅᑐᖅ ᓇᓗᓇᐃᓐᓇᕐᓂᒃ ᐱᓕᕆᔨᐅᑎᓂᓕᐊᓱᒃᑐᑦ.

ᐱᓇᐅᓪᓚᓂᓪᓕᒃ ᐃᓕᐊᓐᓇᓪᓚᑎᐅᔪᖅ. ᐱᓇᐅᔭᕆᕕᐅᔪᖅ ᓇᓐᑎᐊᒥ ᐅᐊᓪᓂᖏᓐᓂᓗ ᑲᓇᑦ: ᓂᐅᕕᕕᐊᓐᓂᒃ ᓂᐅᕕᕐᑎᑎᓱᑦ ᐊᑭᓐᓇᓐᓂᓐᓂᒃ ᓂᐅᕕᕕᐅᐅᓕᖅᑐᑦ, ᓇᔨᓂᒃ ᐱᓪᓚᕆᐊᒃᑯᑦ ᐅᔾᔨᐊᓪᓂᓚᓂᒋᑦ, ᐃᓐᓇᕐᓂᐊᓐᓂᒃᑯᓂᒃ, ᐃᔨᕐᖏᑕᕐᑐᓪᓚᓂᓪᓕᒃ, ᐊᓱᔨᓐᓗ.

ᐃᑲᔪᑎᖏᓐᓂᒋᓂᖅ. ᐅᑎᕕᐅᑦᓗᑎᑦ 2.7% ᐱᕕᑎᔨᓂᒃ ᑎᑭᓐᓗᔪ 3.4 ᐳᓴᓐᓗᒃ ᓇᔨᓂᓪᓚᔨᓂᒃ ᐅᑭᐅᓂ ᑕᒪᓕᓂ (1982-1987).

ᑭᑐᐃᓐᓇᐃᐃᑦ ᑐᑦᓯᕕᒋᔪᒪᔨᖅᑎᑦ. ᓴᓇᔨᑦ ᐅᓂᓐᓂᖅᑕ ᐅᓂᖏᑕᐅᓱᒪᓂᖅᑎᑦ ᐊᑐᐃᓐᓇᐅᔨᖏᓪᓕᑕ. ᐊᔾᔨᑎᖅᑐᑦ ᐃᓕᓐᓂᐊᓂᑎᓂᔨᓕᑎᓴᑦ ᐊᖏᓪᓕᑕᐅᓱᒪᓕᓐᓄᑦ. ᕿᓐᓄᒍᑕᐅᔨᑦ ᐊᖏᓪᓕᑕᐅᓱᒪᓕᓐᓄᑦ ᐃᓕᓐᓂᐊᓂᑎᓂᔨᓕᑕᐅᓂᐊᓂᑦ ᐊᓐᓂᐊᑐᓪᓚᓂᓪᓕᑦ, ᐃᓪᓚᓕᓚᓂᓪᓕᑦ, ᐃᓕᓐᓂᐊᓂᑐᓪᓚᓂᓪᓕᑦ, ᐃᓐᓇᑐᖏᐃᑦ ᑲᒪᒋᔭᐅᓂᖅᓂᓐᓂᑦ ᐊᓱᔨᖅᓂᓐᓂᒃ.

ᓇᔨᓂᖏᖏᑕᐅᓂᓪᓕᑦ ᐊᑭᓕᑐᑕᐅᔨᑦ. 1988-89-ᒥ, $1000 ᐃᓐᓇᑐᓂᓐᓂᑦ ᐅᑭᐅᓕᓐᓂᓐᓂᑦ 50 ᐅᖃᒃᑕᓂᑦ ᐊᓪᒪ $100 ᑕᒪᐃᓐᓂᑦ ᐃᑲᔪᓂᐊᓐᓇᑐᓂᑦ.

ᐃᓪᒪᔨᑐᑦ . ᑭᓕᖏᓂᓂᑦ ᐱᓇᐅᔭᕆᕕᐅᓇᓕᑐᑦ ᐊᐱᑐᔨᒪᓂᐅᔨᔨᒥ.

ᓇᔨᓂᑦᑕᑐᓗᓂ ᐱᑎᑕᐅᑎᐊᓂᐅᐊᖏᓱᓂᓪᓚᑦ ᓂᓚᐅᑦᓴᐅᔨᑦ ᐊᖏᑭᐅᒪᔨᔨᓪᓚᑕᐅᓕᑦ.

ᓇᐃᓚᓕᒋᐊᓕᔪᔭ ᖃᓂᓐᓂᒃ ᐊᓐᓄᑦᑎᑎᑦᑎᐊᖏᓂᓂᓐᓂᒃ

ᑕᒪᐃᓐᓂ ᓄᓇᒥᓴᐅᔨᓂ ᓴᓪᓚᑦᑐᑦ, ᓂᓚᐅᑦᓴᐅᔨᓂᑦ ᓴᖏᑦᓯᓕᓚᐅᖅᑐᓂᑦ ᓇᔨᓂᑦᑕᑦᓂᐅᐊᓐᓂᑦ ᓂᓚᐅᑦᓴᖃᖅᑐᖅᓂᓐᓂᑦ ᐊᓕᔪᓐᓂᑦ ᐱᓕᕆᓂᑦ ᐃᓐᓇᕐᓂᐊᓂᑦ.

ᐊᑐᓂᖅᑎᑕᐅᓕᓐᓂᓕᐊᓂᓂᑦ ᐊᖏᑭᐅᒪᓂᖅᑎᖃᓕᓴᓂᑦ. ᓇᔨᓂᑦᑕᑦᓂᐅᐊᓐᑐᑦ ᑐᑭᓯᐅᒪᖃᑦᑕᓕᕆᓚᒃ ᒪᓂᖅᓂᑎᒍᑦ ᐃᓂᖓᓯᓚᐅᔨᓂᒃ. ᐊᑭᑐᔨᓚᓕᓂᒃ ᐊᑐᖃᑦᑕᓕᕆᓚᖅᑐᑦ ᖃᓄᐃᓕᓚᐅᔨᓂᑦ ᓴᓇᒋᑦᑐᓂ ᔨᓚᒋᓂᑦ. ᐃᓕᓴᐃᑦ ᑲᓛᒪᑦ ᐱᓂᓚᐊᓂᓂᐊᖏᓱᓂᓪᓚᑕᒋᓐᓂᒃ ᐱᓂᓚᐊᖃᖃᑦᑕᓕᕆᓚᖅᑐᓂᑦ ᒪᓂᖅᓂᑎᒍᑦ ᐱᓂᓚᐊᖏᖃᑦᑕᓕᕆᓚᖅᑐᖅᓂᓐᓂᒃᓴᒃ ᐊᑭᑐᔨᓚᓕᓂᒃᑯᓗ ᑕᒪᓐᓇ.

ᖃᑦᓴᓇᐃᓕᒃᑐᑦ ᑲᑐᔾᔨᖃᑎᒌᑦ ᑭᐃᓕᔨᒪᔨᖅᑕ ᐅᑭᐅᓂ 10-ᓂᑦ 15-ᓂᒃ ᓇᔨᓂᖏᓐ ᐱᓂᓚᐅᓕᒋᑕᐃᓂᑦ ᐊᐅᓚᑦᑎᓂᒃᓴᓐᓂᑦ ᓇᔨᓂᖏᓐ ᓄᓇᒥᓴᐅᔨᓂᒃ.

ᐱᓇᐅᑦ ᐊᐅᓚᑕᐅᓂᒃᑐᑦ ᐃᓕᒪᔨᓚᐅᑦᑐᑦ. ᐃᓚᒋᑦ ᐊᖏᑭᐅᒪᓕᐊᑕᐅᓂᐊᖏᓂᑦ ᑲᔪᓯᐊᓂᑎᑕᐅᓂᐅᑉᑐᓂᑦ. ᐃᓚᖓᔪᑦ, ᐱᓇᐅᑎᑎᑦ ᐃᓕᓴᕐᑎᐊᖏᓪᓂᖅᓴᐅᑦᑐᑦ ᐱᓪᓚᕆᔨᓯᐅᔨᓕᒥ.

ᑕᒪᐃᓐᓂᑦ ᓇᔨᓂᖏᓐ ᓄᓇᑕᓯᐊᓂᓂᐅᔨᑦ ᐊᔨᓇᑐᔪᓚᐅᑐᖅᑕᓂᑦ ᐱᓇᐅᔭᕆᕕᐅᑎᑎᖏᓂᑦ ᓴᖏᑎᓐᓇᓯᓗᑦ ᑭᑐᐃᓐᓇᐃᐃᑦ ᐱᓪᓚᕆᐊᒃᑯᑦ.

2. ᐱᓇᐅᑎᒍᑦ ᐃᑲᔪᑎᓴᑦ ᓄᓇᑕᓯᐊᓂᓂᐅᔨᓂᒃ

ᑕᐃᒪᖓᓂᑦ ᐃᖏᓕᓂᓕᓐᓂᓐᓇᑦ ᐃᓄᐃᓐᓇ ᓄᓇᑕᓯᐊᓕᓂᑎᓂᓪᓚᑦ ᔨᓂ ᓄᓇᑕᓐᓄᐃᓕᔨᓂᑦ, ᑐᓴᓴᓂᑦ ᐃᓯᒪᔨᑦ ᑲᑐᐃᓐᓇᐅᔨᓂᖏᓪᓕᑕ. ᑕᒪᑐᒪ ᖃᐅᔨᓴᑕᐅᔪᒪᓂᖅ ᐃᓕᓴᕐᑎᐊᖏᓪᓕᑕ.

ᐱᓇᐅᔨᓗᓂᒪᑦ ᐃᑲᔪᑎᑦᑕᐅᓂᖏᓐᓇᐅᓚᖅᑐᑦ. ᓇᒥᓂᖅ ᓄᓇᑦᓂᓂᖅ ᐱᓇᐅᖅᓴᐅᑎᖅᓂᒃ ᓴᖅᑭᑎᑎᓂᕐᓂᖅᖢᓂᖅ ᐱᓇᐅᔨᐅᑦᓂᓴᖅᓯᒪᓕᒃ ᐱᓇᐅᔨᐅᓂᖏᓐᓇᖅᖢᓂᖅ.

ᐱᓇᐅᖅᑕᒡᒎᓂᖅ ᐃᑲᔪᑎᑦᑕᓂᖅᖢᓂᖅ ᐊᑭᓐᓇᑎᑦᑕᐅᓂᖅᖢᓂᖅ. ᐅᖃᐅᑦᔨᐊᐅᓪᓚᑦ ᐅᖃᖅᓯᒪᓕᖅᑐᑦ ᐊᑭᓐᓇᑎᑦᑕᐅᓂᖅᖢᓂᖅ ᐊᑭᓐᓇᑎᑦᑕᐅᓂᖅᖢᓂᖅ ᐊᒪᓚᐅᑎᓪᓗᓂᑦ.

ᐊᑭᓐᓇᑎᑦᑕᐅᓂᖅᖢᓂᖅ ᐊᑕᐅᓂᑦᓂᓂᓗ ᐊᑭᓐᐅᑕᐅᓕᖅᑐᖅᖢᓂᖅ ᐊᑦᔪᑎᑕᐅᓂᒪᓕᖅᓂᖅᓐᓂ ᐅᐱᐅᓂᑦ ᑭᔪᓐᓇᕐᓂᓂᑦ ᐊᑭᓐᓇᑎᑦᑕᐅᓂᖅᖢᓂᑦᓂᓂᓗ, ᐃᓄᐊᓚᓂᐃᑦ ᐱᓇᐅᔨᓴᖅᑕᕐᓂᖅᖢᓂᑦ ᐱᖓᓱᐊᕐᑕᑦᓂᓂᖅᖢᓂᒃ ᐊᑭᓐᓇᑎᑦᑕᐅᓂᖅᖢᓂᕐᑎᑦᑕ ᖃᓄᐅᑦᓂᓚᖅᓄᑦ.

ᐃᖅᑭᓐᓇᓄᑦᓯᓂᓗ ᐃᓄᐃᑦᓗ ᑕᐃᒪᓐᓇᐃᖅᑕᐅᑦᓴᑕ, ᐱᖓᓱᐃᑦᑕᑦᓂᓗᓂᒃ ᓯᑕᒪᐃᑦᑕᑦᓂᓗ ᐊᑭᓐᓇᑎᑦᑕᐅᓂᖅᖢᓂᑦᓂᓂᓗ ᐱᓇᐅᔨᒋᓐᓂᖅᖢᓂᑦ ᐱᓇᐅᔨᒋᑦᓴᖅᖢᓂᑦ. ᕿᓐᓄᐊᖅᓯᒪᓂᐊᕐᕕᑦᑕ ᐊᐅᓚᑦᑕᐅᓂᖅᖢᓂᕐᑎᑦᑕ ᐊᑭᓐᓇᑎᑦᑕᐅᓂᖅᖢᓂᕐᑎᑦᑕ $3-$4 ᐱᓕᕐᒋᓚᓂᒃ. ᒎᓕᐊ ᐱᓇᐅᔨᑦ ᐊᖏᔪᒍᒪᒻᒪᑦ ᓴᖅᐸᑎᑦᓂᖅᓯᒪᓕᖅᑐᖅᖢᓂᑦ ᐱᓇᐅᔨᓕᐅᓂᑦ (10%-ᖃᓂ) $300- $400 ᒥᓕᐅᓂᒃ ($10,000-ᒥᑦ $13,000-ᒪᑦ ᐊᖏᔪᑐᒪᖅ) ᐃᑲᔪᓯᐊᕐᓂᓐᓂᑦ ᐃᑲᔪᓯᐊᖏᓐᓇᖅᖢᓂᒃ.

ᓄᓇ. ᓂᕆᐊᓯᑎᐊᑦᓂᖅ ᓄᓇᒥᒃ ᐱᓚᓗᐅᑲᖅ. ᐃᑲᔪᓯᐊᖏᑦ ᑭᐅᑎᖃᑦᑕᓗᓀᐊᖃᓂᖅᑐᑦ: ᓄᓇᑐᖃᓚᒥᓂᒃ ᓄᓇᒥᒃ ᓄᓇᑕᕐᑎᖃᑦᓂᓂᒃ ᐱᓇᐅᔨᓴᖅᑕᐅᓂᓀᓂᖅᖢᒥᒃ.

ᐱᓇᐅᔨᑦᑕᐅᓯᓂᓕᐊᓂᑦ ᐱᓇᐅᔨᑦᑕᓗᐅᓯᓂᓕᐊᓀᓐᓂᑦ ᐊᑐᑐᐊᑦᑕᐅᓂᓂᑦ ᐊᑭᓐᓇᐅᑎᓂᑦ, ᐊᐱᖃᑎᖏᑦᑐᖅᖢᓂᑦ ᐃᓚᖅᑭᑦ ᓄᓇ ᐊᖏᔪᓂᕐᑕᐅᓂᖅᖢᓂᑦ. ᐱᓕᕐᓂᑦᓂᓕᐊᓂᑦ ᐊᑐᑐᐊᑦᑕᐅᓂᓂᑦ ᐃᓚᖅᑭᑦ ᐱᓇᐅᔨᓴᖅᑕᐅᓂᖅᖢᓂᑦ ᐃᑲᔪᓯᐊᖏᓐᓇᖅᖢᓂᒃ ᐃᓄᐃᑦᓗ ᐊᑐᑐᐊᑦᑕᐅᓂᖅᖢᓂᑦ ᐃᓄᐃᑦᓗ ᐊᑭᓐᓇᑎ

ᑯᐊᐳᓱᓴᐅᑦ ᐱᓕᐅᔾᔪᑎᖅᑐᓂᓕᕆᑦ ᐊᑦᓱᓂᓗ ᐊᖏᔪᒥᒃ ᐱᓕᐅᔾᔭᓗ ᐊᑦᓱᓂᒪᓚᓐᓂᓗ ᒥᓂᔾᔪᓚᓂᓗ ᐱᓕᐅᔾᔨᓂᑎᓂᒧᑎᓗ ᐊᑐᖅᑕᓂᓕᕆᑦ. ᐱᓕᐅᔾᔨᓂᐊᕐᔪᑦ ᐃᓗᐱᒋᐅᑎᓚᖅᑕᓂᓕᒃᑲᑦ ᑕᓂᓕᕆᑦ ᓄᓇᓕᒫᑦ.

3. ᓇᓚᐅᑦᑕᑦᑕᐅᔨᑦ ᓄᓇᑦᔪᑦᑕ ᖃᓄᐃᓐᓂᐊᖑᒪᔪᑎᑦ ᓇᔾᔪᓂᖅ ᐱᓇᓱᐊᖅᑐᑦ

ᐃᓗᐱᓇᓐᓂᖅᑎᓂᓚᓇᔪᑎᑦᑐᑦ ᓇᔾᔪᓂᖅ ᐱᓇᓱᐊᖅᑐᐃᑦ ᒪᓕᒃᑕᖅᑎᔪᑦ ᓇᔾᔪᓂᖅ ᐱᓇᓱᐊᒪᓕᑦ ᐊᑐᑦᓂᓚᔪᑎᓂᒃ ᓄᓇᖅᑐᑐᖅᐃᓕᑦ ᑲᑐᖅᖃᐅᑎᑦᑎᓂᒃ ᐱᓕᐅᔾᔨᑦᑕᑦᑕ ᐊᑐᑦᑕᐅᓂᑦ ᒪᓕᒃᑕᐅᔪᑎᑦ. ᐊᖏᔪᓂᓐᓂᐊᑦᑎᓐᓂᒃ ᓄᓇᓕᒫᑦ. ᐅᖃᐅᓕᕆᔨᐃᓕᑦ ᑕᒪᓐᓇᖅᑐᑦ ᐊᑕᐅᓂᐅᔪᑎᑦ ᐅᓕᐅᔾᔨᑦᑕᑦᑕᐅᓂᒃ ᐃᓚᖓᔪᓂᒃ ᐃᓚᖓᔪᓂᒃ ᐊᑐᑦᑕᐅᓂᑦ ᒪᓕᒃᑕᐅᔪᑎᑦ ᐅᓕᐅᔾᔨᑦᑕᑦᑕᐅᓂᑦ ᐅᓕᐅᔾᔨᓂᐊᖑᒪᔪᑎᑦ ᐊᑐᑦᑕᐅᓂᑦ ᒪᓕᒃᑕᐅᔪᑎᑦ ᐅᓕᐅᔾᔨᑦᑕᑦᑕᐅᓂ

ᐅᖃᓕᑎᐅᑦ ᐃᑲᔪᖏᓚᐅᖅᑐᑦ ᓇᓗᓂᖃᖅᖢᑕᐅᓂᒪᑦ ᐊᑭᓕᐅᑕᑕᐅᔪᑦ ᓴᓱᒪᓕᕆᓂᖅ-ᔪᑕᑕᐅᔪᓂᖅ ᐊᖏᖅᑭᐅᒪᓂᕐᓂᖃᖅᖢᑎᓂᕐᓂᕆᔨᒃᑯᑦ. ᐃᑲᔪᑕᑕᓗᐊᖅᑐᖅ ᐊᑭᓕᑦᑐᑕᐅᕐᑐᓂ ᓇᓗᓂ-ᖃᖅᖢᑕᐅᓂᒪᑦ ᐊᒥᔪᐊᓘᓕᓕᒫᓂᓗᑦ ᐊᑭᓕᑦᑐᑎᑦᑕ: ᐊᑯᓂᐅᔪᑦ ᐱᓕᓇᐊᖅᑎᓂᓗᒍ ᐃᓕᒥᐊ-ᔾᑕᐅᓂᖏᐅᑦᑐᖅ ᐃᖏᖅᖢᖅᑐᓂᒃᑯᑦ. ᐊᒋᖅᑎᒥ, ᓇᓗᓂᖃᖅᖢᑎᑦᑕᔪᓂ ᐃᑲᔪᑎᖃᖅᑎᑦᑕᕐᓂᑦ. ᑭᓯᐊᓂ ᐊᑭᓕᑦᑐᑕᐅᕐᑐᓂ ᓇᓗᓂᖃᖅᖢᑕᐅᑦᑎᓕᖃᖅᑎᓕᒃ ᖃᖅᑎᑕᐅᓂᒃ ᐃᓕᓴᕐᓂᖅᑐᓂ ᐱᓇᓱᐊᖅᑐᓂᒃ ᐃᓱᒪᓕᖅᑐᖅᓯᓂᒃ. ᐊᑐᓂᒃᑯᑦ ᐃᓱᒪᓕᖅᑐᖅᓯᓂᒃ ᐃᓕᓴᕐᓂᖅᑐᓂ ᐱᓇᓱᐊᖅᑐᓂᒃ ᐃᓱᒪᓕᖅᑐᖅᓯᓂᒃ ᐱᓇᓱᐊᖅᑐᓂᒃ; ᐱᓇᐅᔭᖏᑦᑐᑦᓯᖏᑕᐅᓂᖃᖅᐅᓂ-ᖃᖅᑐᒥᑦ ᓴᖅᑭᑎᓗᓂᒃ ᐱᓕᕆᓂᖃᖅᖢᑎᓂᒃᑯᓘᓐᓃᑦᑕᓂᖅᖢᑎᓂᒃᑯᑦ ᐱᓇᓱᐊᖅᑐᓂᒃ ᐃᓕᓴᕐᓂᖅᑐᓂᒃ ᐱᓇᓱᐊᖅᑐᓂᒃ; ᐃᓐᓇᐅᒃᑯᓘᓐᓃᑦ ᓂᐅᐊᓐᓂᖅᑐᓂᒃ ᐊᑭᓕᑦᑐᑕᐅᓂᖃᖅᐅᓂᒃ ᐃᓱᒪᓕᖅᑐᖅᓯᓂᒃ ᐱᓇᓱᐊᖅᑐᓂᒃ ᐃᓕᓴᕐᓂᖅᑐ

ᓄᓇᒋᔭᐅᓂᒃ ᐃᓕᓴᕐᔪᐊᓘᑎᓂᑐᐃᓐᓇᐃᓕᓴᖅᑎᑦ, ᑲᒪᒋᔭᐅᓂᖅᓯᒪᔪᖅᑐᑦ ᓄᑎᖅᑕᐅᓂᒡᓗᓂᑦᑐᑦ ᖃᓄᐃᓗᐊᖅᑎᑦ, ᑲᑎᕐᓂᑎᓕᖅᑐᓄᑦ.

5. ᓄᓇᒋᑦᓂᓪᓗᒍ ᓯᑕᒪᐅᓂᒃ ᐃᑲᔪᓯᐊᖅᓂᐅᓄᓇᕐᔪᐊᑦ

ᒋᔭᖏᓂ ᑎᑎᕋᕐᓚᓂᐅᓂᒃᓯᒪᓂ ᐅᖃᐅᔾᔨᐃᐅᔾᑦ ᓯᑕᒪᐅᓕᕐᓚᓂᖅᑐᑦ ᑭᖑᓪᓕᐃᔨᑦ ᒪᓕᒃᓴᑦ ᐊᓯᖏᓐᓂ ᓄᓇᒋᑦᓂᓪᓗᒍ ᓄᓇᒋᕆᓂᕐᓚᓂᖅᓂ ᓄᓇᒋᖏᓐᓂᒃᑯᑦ ᓄᓇᒋᕐᓂᕐᓚᓂᖅᓂ.

1. ᑕᒪᐃᓐᓂᖅ ᑐᓂᔨᑎᑎᓗᒍ. ᐱᓇᐅᔭᑎᒍᑦ ᐃᓱᒪᔪᑎᑎᖃᓂᐅᓄᖅᑐᖅ ᑕᔨᖏᐅᑎᑎᑦ ᐃᑲᔪᓯᑕᐅᓄᖅᑐᑦ ᐃᓄᒃᑎᓄᑦ ᐱᓇᐅᔭᕋᓱᒃᑐᓕᕐᓂᐅᔪᓐᓇᖅᑐᖅ. ᑭᓱᓕᓂ ᐅᓗᓚᐃᓐᓂᒃᑯᓗ ᐊᑐᔨᔪᑐᒪᓚᐅᔪᓐᓇᖅᑐᖅ. ᐊᓯᖏᓐᓂ ᓄᓇᒋᑦᑕᓚᐅᔪᑐᓂ ᓚᒋᑐᒃᑯᓗ ᐃᑲᔪᓯᐊᖅᓂᐅᓄᖅᑐᑦ ᐊᑐᐃᓐᓇᓗᓂᖅ.

2. ᐊᐱᕆᔪᓚᓂᐅᓄᖅᓂ ᑯᐊᐅᓚᓴᐃᑦ ᐊᑐᖏᑦᑕᔪᑦ ᓄᓇᒋᔨᐅᓄᖅᓂ ᓇᔪᓂᖅ ᐃᔪᕐᓂᓄᖅᓂ ᐱᓇᐅᔭᕋᓱᒃᑐᓕᕐᓂᐅᓄᖅᑐᖅ. ᑕᒪᓐᓇ ᐃᓕᓴᕐᔪᐊᓘᑎᓂᖅᓯᒪᔪᖅᑐᖅ ᒪᓕᒃᓴᑦ ᐊᑐᐃᓐᓇᓗᓂᖅ ᐱᓇᐅᔭᕋᓱᒃᑐᓕᕐᓂᐅᓄᖅᑐᖅ

2. ᓄᓇᕗᑦ ᓴᓇᒫᓂᖅ ᐱᓕᕆᔨᖏᑦᑐᑦ ᓇᒥᓂᖅᓯᒪᔪᖅ ᐊᓯᖏᓐᓂᒃᑯᑦ ᑲᔪᓯᖏᑦᑐᖅᓯᒪᓕᖅ ᒪᓐᓇ ᐅᓇᑦᓯᓕᕆᓂᖅᐸᒃᓴᓕᖅ ᓂᕆᔨᒋᑦᑐᓂᖅᐸᒃᓴᓕᖅ, ᐊᓯᖏᓐᓂᒃᑯᑦ ᐊᑐᕐᓂᖅᐸᒃᓴᓕᖅ

12. ᓄᓇ ᐃᖃᓗᐃᑦᑐᑦᓯᒪᓕᒃ ᐃᓕᓴᖅᑕᕐᓂᓕᕆᓂᖅᓄᑦ ᐃᓚᒋᔭᐅᔪᓐᓇᖅᑐᓕᕐᓂ ᖃᓄ ᐃᓕᓴᕐᓂᑎᓕᓂᒃᑯᓐᓇᖅᑐᑦ ᓄᓇᖃᖅᓄᑦ ᐊᑐᓕᕆᓂᖅᑎᑦ ᐋᓐᓂᔪᓐᓇᖅᑐᓂᒃ ᐃᓕᓴᕐᓂᑕᕐᓂᖅᓄᑦ.

13. ᓄᓇᖃᖅᑎᑦ ᓴᓪᓕᐊᓂᑦ ᐊᑐᖅᑕᓕᕆᓂᖅ ᐱᓕᕆᔨᒃᑯᑦ ᑲᑎᖅᑐᑎᒃ ᐱᓕᕐᓂᐊᑐᓕᕆᓂᖅᑐᑦ ᓄᓇᒥᒃᑯᓂᖅᓄᑦᓄᓇ ᐊᑕᐃᓕᒪᓂᖅᑐᓄᑦᓄᓇ ᐊᑐᓂᒃᑯᑦᑎᓐᓄᑦ ᐋᓐᓂᔪᓐᓇᖅᑐᓂᒃ ᐊᑐᖅᑕᓕᕆᓂᖅᑎᑦ ᐱᓕᕐᓂᐊᑐᓕᕆᓂᖅᑐᑦ ᐱᓕᕐᓂᐊᑐᓕᕆᓂᖅᑐᓂᒃ.

EXECUTIVE SUMMARY

The history of implementing comprehensive land claim settlements is just now beginning to provide the next generation of claimants with a perspective on how best to invest their cash compensation. Beginning with the Alaska Native Claim Settlement (1971), and moving on through that of the James Bay Cree and Northern Québec Inuit (1975), to the Inuvialuit Final Agreement (1984), the authors of this report have reviewed the different investment strategies to determine an optimum blend of profit generation and social dividends.

Chapter 1 of the report provides considerable detail on the successes and failures of the investment strategies utilized by the above named Native beneficiaries, and summarizes the inherent conflicts between the immediate expectations of wealth and the reality of implementing a long-term investment strategy. The experience in the Alaska, James Bay, Northern Québec and Inuvialuit settlement areas indicate that claim settlements in fact bring no sudden riches to the beneficiaries. Many corporations created with land claims principal are indeed struggling to survive. The immediate returns are instead reflected in a modest increase in consumption of local services (especially those involving the professional expertise of lawyers, accountants and business management consultants), and in employment creation by land claims management organizations. Many beneficiaries are having to wait for the longer term to see direct personal benefit from land claims settlements.

In Chapter 2 we examine what economic benefits are pending settlement of the Dene/Metis and Tungavik Federation of Nunavut claims. Cash compensation, land, income from land, resource development benefits, management institutions, employment generation (including Native and public sector

employment), exclusive and preferential opportunities, taxes and implementation structures are all reviewed, and it is concluded that the pending land claim settlements will have a strong long-term impact on the economy of the NWT. Perhaps most important is the establishment of a more predictable business environment, one where Native land holdings, regulatory regimes and rights, and investment corporations are well established.

In Chapter 3 the report discusses the potential impact of the cash compensation component of claims settlements on the economy of the NWT. This chapter illustrates the poor integration of the current economy and the distorting and overwhelming role played by government. In coming to terms with the impact of claims cash and its effects, a variety of potential investment strategies are discussed, including mega-project and local business-risk investment, the pros and cons of financial portfolio investment within and outside of the NWT, and the possible creation of developmental trust funds by the beneficiaries. The Alaskan experience with trust funds and portfolio management is discussed and state-level benefits are reviewed. It is concluded that a development trust fund strategy, with a prudent dividend allocation policy, would provide similar benefits to those achieved as a result of the Alaska Permanent Fund dividend experience. In Alaska dividend cheques have had overall positive effects on the economy.

Chapter 4 examines the role of government in the NWT and considers how it might assist in the implementation of claim settlements. Given that this role has grown tremendously since the creation of the GNWT presence in Yellowknife, and now is closely associated with many pro-active economic development initiatives, there is considerable potential for overlap and duplication during claims implementation. We recommend a nurturing, supportive role

rather than an initiating role for government during this period - one that sets as its primary goal the building of capacity in the Native community.

In Chapter 5 four scenarios for the investment of claims cash are presented and discussed. These include "give it all away," local business-risk investment, the creation of a developmental trust fund, and the establishment of the "Cultural Ark" investment scenario which has the potential to move large numbers of people back to the land and the bush economy. The relative pros and cons of each strategy are considered in terms of the fate of the cash principal, environment-economy linkages and business spin-offs in the NWT economy.

Chapter 6 presents four distinct groups of recommendations to both the GNWT and the land claims beneficiaries. These recommendations are presented in a linear developmental sequence starting with problems of IMPLEMENTATION, and then following with TRAINING, ECONOMIC DEVELOPMENT SUPPORT, and INSTITUTIONAL RECOMMENDATIONS.

Three primary recommendations in the report should be emphasized. The first is the creation of a developmental trust fund (Recommendation 3.1). Trust funds offer claims beneficiaries the best means of stewarding principal and maximizing the returns on their cash, and arguably provide the best overall benefits to the GNWT as well. Interest and dividends earned from investing the principal can be used in many ways: individual cash dividends for all beneficiaries, elders' support programs, scholarships and bursaries, as well as developmental assistance for local small businesses. All of these uses are important for developing the economies of northern communities. The second most important recommendation involves training (Recommendations 2.1-2.5). Indeed, extensive training of individuals of all ages is the only way Native people can maximize the use of their new resources in order to gain

control of their own lives. The GNWT's role in support of training is also crucial. The third most important recommendation is support for small businesses (Recommendation 3.2). Small businesses, not an exclusive reliance on mega-projects, are in our opinion the key to sustainable economic development in the NWT. Therefore the supportive role of the GNWT in fostering small business development also is vital to maximizing the use of claims cash.

INTRODUCTION

Coping with the Cash was prepared for the Special Committee on the Northern Economy to give the committee relevant information on how the settlement of land claims will affect the economy of the Northwest Territories (NWT). Given that the committee is endeavouring to create a long-term development strategy (meaning for between now and the year 2000), it needs to understand how settled land claims in other jurisdictions have affected local economic conditions. In this report the authors have gathered information on four settled land claims: the Alaska Native Claims Settlement (1971), the James Bay Cree and Northern Québec Agreement (1975), which rolls two claims into one agreement, and the Inuvialuit Final Agreement (1984).

In each of the above case studies we have attempted to present summaries of how the cash compensation was received, how the beneficiaries (the Native people who benefitted from each settlement) defined eligibility in their settlement, how governing structures were created, and how investments were made and economic activity was generated. We have also investigated problems associated with the chosen investment strategies and proposed ways for the next generation of beneficiaries to maximize their investment opportunities. In this way we have approached the Special Committee on the Northern Economy's request from the grassroots up.

We think the best way to understand the impact of the settlement of land claims on the NWT's economy is first to understand the impact of different investment strategies on the beneficiaries themselves. By comparing the investment performance achieved by the four claims groups studied, we have set the stage for defining the optimum investment strategy for the Dene/Metis and Tungavik Federation of Nunavut beneficiaries. Given that this strategy works

well for the next generation of beneficiaries, it will also benefit the GNWT and the economy of the NWT.

While we have invested considerable time and effort in collecting parallel sets of data for each case study, we have not always been successful. For instance, none of the four groups of beneficiaries were able to provide us with concise Native employment statistics for their governing structures and business operations. Instead we received statements like, "More Native people are employed than before..." or "About 60 percent of our employees are our own people." Consequently we have been unable to prepare the definitive study of socio-economic impacts that we set out to create. Wherever possible, however, we have organized the data we collected in similar blocks so that the reader can review four different approaches to solving problems.

Before moving on to Chapter 1 (Profiles of Selected Land Claims Settlements), we would like to briefly describe the four groups of Native beneficiaries whose investment strategies form the bulk of this report.

THE ALASKA NATIVES comprise five distinct ethnographic and linguistic populations: the Eskimo, Aleut, Athapascan, Tlingit and Haida. Sometimes these groups are referred to as the Eskimos, Indians and Aleuts of Alaska. Most Aleuts lived traditionally in coastal villages or on the Aleutian Islands that stretch over 1000 miles westward across the North Pacific. The Indians of Alaska (the Haida, Tlingit and Athapascan peoples) live today in villages in their traditional territories that stretch along the Gulf of Alaska and also include the vast interior region of modern Alaska. The Athapascans of interior Alaska are linguistic brothers of the Dene, sharing the Athapascan language and a hunting culture traditionally based along the river systems of the boreal forest.

Western and northern Alaska is the home of the present-day Eskimos who traditionally maintained permanent winter villages and engaged in energetic summer trading expeditions. Today's Inuvialuit and Inuit are also descendants of the traditional Eskimos whose lands stretched from the Bristol Bay region around the Alaskan coast and across northern Canada to Greenland. The coastal Alaskan Eskimos even traded with the Chukchi of Siberia, and undertook limited trade with the interior Athapascans.

In 1978 the combined population of Eskimos, Indians and Aleuts enrolled as beneficiaries of the Alaska land claim settlement stood at 78 436 persons (Arnold, et al., 1978). Of these people, about 4000 were residents of Washington, Oregon and California. They are the shareholders of the Thirteenth Regional Corporation, which was formed to pass benefits along to Native beneficiaries who had left the state of Alaska. While the Thirteenth Regional Corporation's shareholders have left the bush and land-based economy behind, Thomas Berger (Village Journey, 1985) has recently demonstrated the strong continuing Alaskan village dependence upon the economy of subsistence. Since the settlement (1971) large numbers of Alaskan Native people have moved to reside in Anchorage and Fairbanks for a variety of reasons, but the village economies persist along with the seasonal harvest of fur, meat and fish.

THE JAMES BAY CREE of Québec comprise the bands of Fort George, Old Factory, Eastmain, Rupert House, Waswanipi, Mistassini, Nemaska and Great Whale River. Their traditional homeland was 150 000 square miles of forest in northern Québec, and immediately prior to their land claim settlement in 1975, only one band lived close to a major road and one other village was accessible by road (Salisbury, 1986). For the remaining Cree villages communication with the outside world was either by air or by ship during the summer. In the early

1970s the majority of the Cree population (some 6000 people in 1971) had only small involvement in the cash economy, and that involvement was increasingly necessary to finance hunting trips. Salisbury (1986:5-6) reports that in the years immediately prior to the settlement, annual cash available amounted to $340 per capita, a poverty income for most Canadians.

THE NORTHERN QUÉBEC INUIT represent the eastern expansion of the Eskimo culture discussed above in the section on Alaskan claim beneficiaries. Their northern Québec territory encompasses fifteen villages north of the 55th parallel, including Akulivik, Aupaluk, Inukjuak, Ivujivik, Kangirsualudjuak, Kangirsujuak, Kangirsuk, Killinek, Koartak, Kuudjuak, Kuudjaurapik, Mailasikut, Sugluk, Tasiujaq and Povungnituk. The Inuit have inhabited this region traditionally for at least 1000 years, being the direct descendants of the Thule culture people who migrated into the Canadian Arctic from the Alaska-Bering Sea region. The current population continues to demonstrate a strong, seasonal reliance on land and sea mammal and bird resources.

THE INUVIALUIT are also descended from the Thule culture forebears, and today reside in the communities of Sachs Harbour, Holman, Paulatuk, Tuktoyaktuk, Inuvik and Aklavik. The Inuvialuit population today numbers about 3500, many of whom still enjoy seasonal land and sea mammal hunts. With their close proximity to the Dene of Fort McPherson, Aklavik and Arctic Red River, the Inuvialuit have established an historic pattern of contact and inter-marriage. Their long exposure to externally introduced development, starting with the early whaling parties on Herschel Island in the late 1800s, and continuing to the present day oil and gas exploration in their settlement area, has resulted

in many innovative joint ventures with industry and a considerable head start in training and employment in the energy sector.

In the following chapter we review the experience of these four groups of Native land claim beneficiaries and conclude with some comments on their combined experience in coping with the cash.

CHAPTER ONE

PROFILES OF SELECTED LAND CLAIMS SETTLEMENTS

INTRODUCTION

The following chapter presents profiles of three recent land claims settlements (involving four aboriginal claimant groups) in order to provide a context within which to identify potential impacts of the Dene/Metis and Inuit (Tungavik Federation of Nunavut) claims. Reviews are provided of the Alaska Native Claims Settlement Act (1971), the James Bay and Northern Québec Agreement (1975) and the Inuvialuit Final Agreement (1984). Investment strategies and financial performance measures are presented for the corporate entities that administered the claims settlements, as well as experiences with programs dedicated to alleviating social problems of unemployment, poor levels of educational attainment and preservation of culture and traditional lifestyles.

1. SUMMARY OF THE ALASKA NATIVE CLAIMS SETTLEMENT ACT

1.1 Compensation

In 1971, after an eight-year period of organization and negotiation, the U.S. Congress extinguished all outstanding Alaskan Native claims to land, hunting and fishing rights and cash compensation based on statute or treaty with the passage of The Alaska Native Claims Settlement Act (ANCSA). Cash compensation under the Act amounted to a total non-taxable grant of

$962.5 million to Alaskan Natives and was paid out over a ten-year period from 1972 to 1981.

In addition, land compensation amounted to unrestricted title to 44 million acres, including surface and subsurface rights. Conveyance of title to the land to regional corporations continues to this day. Figure 1.1 (on the following page) is a map of Alaska and delineates regional corporation boundaries. The total portion of land and cash compensation received by a corporation was based on the number of its enrolled Native people as a percentage of the total number of enrolled, eligible Native people under ANCSA.

1.2 Beneficiaries (the Native people who benefitted from the settlement)

In order for a Native person to be eligible to participate in the ANCSA settlement the following requirements had to be met: 1) proof of possession of one-fourth or more Alaska Indian, Eskimo or Aleut blood; 2) proof of an individual's acceptance by a Native community as an Alaska Native; and 3) possession of a birth date prior to the enactment date of 18 December 1971.

Recent amendments to ANCSA allow a majority of shareholders to vote to issue restricted or unrestricted shares to eligible Native people who missed the enrollment deadline or who were born after 18 December 1987. A majority of shareholders may also vote to issue additional shares to elders.[1]

Upon enrollment as an eligible Native person, each individual received 100 shares in a regional corporation and as a village resident, 100 shares in a village corporation. Shares are not transferable unless they are part of a court-decreed separation, divorce or child support settlement or unless restrictions on share transfer are specifically removed by the majority of shareholders in a corporation.[2]

ALASKA'S
NATIVE REGIONS

1.3 Governing Structures

Under ANCSA legislation, the land and cash compensation is administered by twelve state-chartered, regional corporations. A thirteenth regional corporation was formed for Native people residing outside Alaska and received a portion of the cash compensation but no land. The regional corporations were created as a first step in implementing ANCSA and were given a variety of roles:

- o to carry out enrollment of beneficiaries within Alaska as contracted by the Bureau of Indian Affairs. Once enrolled each beneficiary received 100 shares of stock in his/her regional corporation;
- o to hold subsurface (mineral rights) and surface estate to certain ANCSA lands. Village corporations would be able to select their own lands but would only own the surface rights. The subsurface estate of lands selected by village corporations would go to regional corporations.
- o to receive the cash compensation from the Alaska Native Fund (the special compensation account of the U.S. Treasury). The regional corporations would, in turn, retain part of these funds and pay out part to the village corporations and shareholders. The amount of money each regional corporation received was based upon its beneficiary enrollment in proportion to the total ANCSA enrollment; and
- o to operate for-profit businesses.

Table 1.1 (on pages 5-6) provides a profile of eleven of the regional corporations as at 1987.

As stated above, Congress also required the creation of Native village corporations to manage certain disbursements of land and money received from regional corporations. Over 200 village corporations were established (as either for-profit or non-profit) corporations with the ability to distribute

Table 1.1

Profile of the Alaskan Regional Corporations (1987)

Regional Corporations	Shareholder Enrollment	ANCSA Land Entitlement* (acres)	ANCSA Cash Entitlement* (millions)	Retained by Regional Corporation (millions)	Current Assets** (thousands)	Total Assets** (thousands)	Current Liabilities** (thousands)
ARCTIC SLOPE REG. CORP.	3,738	5.2 mil	46.0	22.6	34,163	72,287	16,346
BRISTOL BAY NATIVE CORP.	5,400	3.0 mil	67.4	32.6	8,823	88,856	4,748
CALISTA CORP.	13,308	5.9 mil	166.1	80.3	27,750	54,741	36,981
CHUGACH NATIVES INC.	1,912	880 thou	24.1	11.7	11,461	74,044	4,464
COOK INLET REG., INC.	6,264	2.7 mil	77.8	37.6	48,538	295,952	19,967
DOYON CORP.	9,061	12.0 mil	113.1	54.6	56,655	96,980	34,118
KONIAG, INC.	3,344	1.5 mil	4	20.1	2,480	8,003	1,717
NANA REG. CORP., INC.	4,828	1.4 mil	60.2	29.1	6,470	61,820	4,448
SEALASKA CORP.	15,819	590 thou	198.6	96.0	98,483	216,175	71,241

* Total of ANCSA Section 14 (h) (2), village and 12 (c) selections. Calculation excludes 14(h) selections.

** Financial data for 1987 adjusted for comparability. (Removed ANCSA lands, ANCSA receivables from assets and Shareholders equity.)

Source: Compiled from ANCSA Study 1985:V-35 and Corporation Annual Reports.

Table 1.1 (continued)

Profile of the Alaskan Regional Corporations (1987)

Regional Corporations	Total Liabilities** (thousands)	Stockholders' Equity** (thousands)	Total Sales and Other Revenue** (thousands)	Net Income** (loss) (thousands)	Earnings Per Share** (loss) $
AHTNA, INC.	1,848	19,615	7,070	345	1.93
THE ALEUT CORP.	13,565	15,614	2,790	409	1.26
ARCTIC SLOPE REG. CORP.	30,327	28,166	74,992	2,026	5.42
BRISTOL BAY NATIVE CORP.	48,941	39,828	26,520	1,757	3.25
CALISTA CORP.	38,711	15,711	5,157	(20,611)	(15.49)
CHUGACH NATIVES INC.	7,173	28,673	41,300	18,309	95.94
COOK INLET REG., INC.	27,588	234,523	31,737	31,048	49.57
DOYON CORP.	45,027	39,907	36,169	8,763	9.65
KENIAG, INC.	3,433	4,503	1,433	1,356	3.62
NANA REG. CORP., INC.	11,296	43,583	23,245	(1,990)	(2.71)
SEALASKA CORP.	96,173	120,002	269,515	31,215	19.78

* Total of ANCSA 14 (h) (2), village and 12 (c) selections. Calculation excludes 14(h) selections.

** Financial data for 1987 adjusted for comparability. (Removed ANCSA lands, ANCSA receivables from assets and Shareholders equity.)

Source: Compiled from ANCSA Study 1985:V-35 and Corporation Annual Reports.

dividends (an individual payment of annual profits) to their shareholders. The village corporations are not entirely independent. If one desires to change its articles of incorporation (its constitution), it must obtain the approval of its regional corporation.

2. ECONOMIC IMPACT OF THE ALASKA NATIVE CLAIMS SETTLEMENT ACT

2.1 Areas of Investment and Economic Activity

No formal literature exists regarding the actual investment goals of regional corporations. However, statements of proposed goals by management appear in their annual reports. GENERALLY, THESE STATEMENTS ILLUSTRATE CORPORATE INTENTIONS TO INVEST IN LOW RISK BUSINESSES AND EARN A REASONABLE RATE OF RETURN TEMPERED BY SOME REGARD FOR THE LIFESTYLE OF THEIR SHAREHOLDERS. For example, some corporations, in making resource development decisions, carefully considered environmental impacts upon shareholders who still lived on the land. Other corporations chose to actively assist those shareholders who wished to enter the mainstream economy and provided job opportunities and influenced the development of employee training and hiring policies as well as shareholder scholarship programs.

Regional corporation investments over a thirteen-year period from 1974 to 1987 ranged from portfolio investments (generally managed by skilled financial advisors) in term deposits and marketable securities to direct business investment activity (generally directed by the board of directors). New business ventures were formed and existing ventures were acquired with or without the participation of joint venture partners. These business

investments operated in their own regions, on a state-wide basis, as well as throughout the U.S. and the world.

The new ventures focused on development of resource-based industries including petroleum exploration, sand, gravel, timber, minerals and fishing. In addition, business investments were made in support services in the fields of wholesale and retail trade, transportation and distribution, communications, banking, real estate, consulting and commercial construction.[3]

It should be noted that these investments were made in the early seventies through the mid-eighties, a turbulent economic period for Alaska and the rest of the world. The early seventies were characterized by strong world oil prices and vigorous activity in the oil industry in Alaska. This was followed by an economic slowdown. There was a recession in most of the member countries of the Organization for Economic Cooperation and Development (OECD) from 1979 through 1982. In addition, the early eighties were marked by a money market crisis characterized by both high interest rates and increasing market volatility. While this report cannot conclude how significant the impact of the world economic situation was on the new Alaskan ventures, it should at least be borne in mind while considering their financial performance. It is also worth noting that some regional corporations (eg. Cook Inlet) performed very well during this period, contradicting the conventional expectations for new business start-ups in Alaska.

2.2 Profitability

We will now examine the historical financial profitability of these corporations using the common performance ratios of return on assets and return on equity for eleven of the thirteen regional corporations.[4] These ratios are used to evaluate the relative performance of the regional

corporations. They measure the current financial performance of an organization relative to its past, as well as relative to outside benchmarks, such as comparably measured ratios of competing companies.

A corporation's profit and ultimately its financial success can be described by the rate of return earned on the money invested in the corporation (shareholder/owner equity) and on the total assets held by the corporation. Return on owner's equity denotes the rate of return earned by an organization's shareholders. Return on average total assets represents the rate of return earned by utilizing a corporation's total asset base.

THE RETURN ON OWNER'S EQUITY AND RETURN ON AVERAGE TOTAL ASSETS MEASURES ARE VERY LOW FOR THE ELEVEN CORPORATIONS, SHOWING A COLLECTIVE AVERAGE RETURN OF -4 PERCENT AND -1 PERCENT RESPECTIVELY FOR THE PERIOD 1974-87. THERE IS NO IMPROVEMENT SEEN FOR THE MORE RECENT 1983-87 PERIOD WHERE A CUMULATIVE RETURN ON AVERAGE TOTAL ASSETS OF -3 PERCENT AND A RETURN ON OWNER'S EQUITY OF -8 PERCENT ARE EARNED.[5]

Individually, Cook Inlet Regional Corporation (CIRI) has the best relative profitability results. Its 5-year return on average total assets is 9 percent, its 10- and 13-year return on average total assets are 7 percent. Although its initial 5-year return on owner's equity is -1 percent, its 10-year return on owner's equity is 5 percent and its 14-year return on owner's equity is 7 percent. Cook Inlet's return on owner's equity for the recent 1983-87 period is 14 percent.

ANOTHER COMMON EXPRESSION OF PROFITABILITY IS TO EXPRESS NET INCOME FICURES IN EARNINGS PER SHARE, AND THESE FIGURES ALSO CONFIRM THE ABOVE TRENDS.[6] IN GENERAL, FOR THE FIRST FOURTEEN YEARS OF THEIR COLLECTIVE EXISTENCE, THE REGIONAL CORPORATIONS HAVE STRUGGLED TO SURVIVE. SUPERIOR

INVESTMENT RESULTS WOULD HAVE BEEN ACHIEVED BY SIMPLY INVESTING IN GOVERNMENT SAVINGS BONDS.

2.3 Objectives: Employment, Education and Social Services

As we have already noted, the regional corporations (as revealed by their annual reports) generally seek to earn profits for their shareholders, tempered by an awareness of certain competing objectives. The importance of Native employment and scholarship programs, which are socially responsible corporate objectives, was generally acknowledged in annual reports, but these types of programs were often not instituted to a significant degree until the corporations were earning profits. Most corporations attempted to incorporate shareholder hire provisions in joint venture agreements and to create training and job opportunities, as well as scholarship programs, at some point in their operating history. Some implemented these programs more consistently than others.

THE FINDINGS IN WUTTUNEE'S 1988 STUDY (Ms. Wuttunee, an Arctic Institute research associate, recently completed her MBA thesis entitled Competing Goals and Policies of Alaska's Native Regional Corporations at the University of Calgary) INDICATE THAT THE SOCIAL RESPONSIBILITY GOAL, MEASURED BY THE EXISTENCE OF SCHOLARSHIP OR TRAINING PROGRAMS, WAS RELATIVELY INSIGNIFICANT FOR THE PERIOD FROM 1974 THROUGH 1984 WHEN COMPARED TO PROFIT-ORIENTED GOALS OF THE REGIONAL CORPORATIONS. In this respect the regional corporations have basically behaved as for-profit businesses, with a strong concern for profitability and survival.

A comparison study of the status of Alaska's Native people before and after implementation of ANCSA is discussed in the ANCSA 1985 STUDY.[7] Various indicators from census data were tracked for Alaska's Native and non-Native

population in 1970 and 1980. These indicators included population growth and geographic distribution, employment, subsistence activity, family income, housing and education.

THE GENERAL CONCLUSION REACHED IN THIS ANCSA STUDY IS THAT IMPROVEMENTS IN THE STATUS INDICATORS ARE NOT DIRECTLY ATTRIBUTABLE TO THE IMPACT OF ANCSA EXCEPT FOR A SMALL PERCENTAGE OF THE NATIVE POPULATION WHO HAVE BENEFITTED FROM EMPLOYMENT AND EDUCATIONAL OPPORTUNITIES. FOR THE MAJORITY OF THE POPULATIONS, THE DIRECT INFLUENCE HAS BEEN NEGLIGIBLE. However, it concludes that the indirect and long-term effects of ANCSA may eventually have an important impact for all Alaskan Native people.[8]

2.4 Dividend Payments (individual payments of annual profits made to shareholders)

A decision to make dividend payments is usually only addressed after a company has reached some level of earnings stability and shows a profit for several years. Dividends are paid out of company profits. If no dividends are paid or only a small amount are paid, then shareholders can conclude that corporate management has decided to finance company growth with its own profits rather than by borrowing funds, or that the company is in trouble. If a company pays a substantial rate of dividends, then shareholders can conclude that the company has decided to borrow funds to finance its growth, or that it has financed its targeted growth rate and still has funds to pay out as dividends.

Two of the eleven regional corporations studied for this report issued no dividends in the period from 1974 to 1987. 1978 was the earliest year in which three corporations issued dividends, ranging from $.25 per share to $.54 per share. Of the nine dividend-issuing corporations, four corporations

issued dividends only one to four times in a ten-year period while the other five corporations issued dividends eight to ten times in the same period. Dividends ranged from $.01 per share issued by Doyon Corporation to $12.42 per share issued by CIRI.[9]

IT IS INTERESTING TO NOTE THAT THERE ARE SEVERAL EXAMPLES OF REGIONAL CORPORATIONS DECLARING DIVIDENDS DESPITE CORPORATE LOSSES (ARCTIC SLOPE REGIONAL CORPORATION, CALISTA CORPORATION, BRISTOL BAY CORPORATION, NANA REGIONAL CORPORATION, INC.). MANAGEMENT EXPLAINED THESE DECISIONS IN THE ANNUAL REPORTS BY REFERRING TO ITS DESIRE TO PASS FINANCIAL BENEFITS FROM THE SETTLEMENT TO THE SHAREHOLDERS VIA DIVIDEND PAYMENTS. These decisions might be acceptable to shareholders as the beneficiaries, but are potentially dangerous to corporate survival in the long run. The dividends paid in the above cases are a classic example of social benefits outweighing financial prudence.

3. PROBLEMS OF THE ALASKA NATIVE CLAIMS SETTLEMENT ACT

3.1 Implementation

THE IMPLEMENTATION OF A NUMBER OF ANCSA'S PROVISIONS WAS SLOW, TIME CONSUMING AND RESULTED IN EXPENSIVE LITIGATION. For example, conveyance of title to land selections for many of the corporations did not occur until the late seventies and is still incomplete. This restricted access to natural resources and left corporations operating without a significant landbase. Provisions to share natural resource revenue among regional corporations were subject to costly litigation (approximately $35 million) in order to interpret

their complex meanings. These legal disputes tied up funds and scarce human resources.

DIRECTORS OF REGIONAL CORPORATIONS HAD TO QUALIFY AS ELIGIBLE NATIVE SHAREHOLDERS UNDER ANCSA. THIS PROTECTED NATIVE CONTROL OF THE ORGANIZATIONS BUT ALSO MEANT THAT EARLY DECISIONS WERE MADE BY A MAJORITY OF INDIVIDUALS INEXPERIENCED IN BIG BUSINESS.

WITH A LIMITED POOL OF NATIVE HUMAN RESOURCES QUALIFIED IN MANAGEMENT, VILLAGE CORPORATIONS OFTEN HAD FEW NATIVE PEOPLE TO HIRE TO MANAGE THEIR OPERATIONS AS MANY WERE HIRED BY THE LARGER REGIONAL CORPORATIONS. As a result some corporations suffered serious losses due to poor investment decisions, unsuccessful growth strategies or to fraudulent management.[10]

3.2 Limited Investment Opportunities

Regional and village corporations were both faced with few suitable investment opportunities in rural areas where many shareholders had identified a need for development. Little or no social-economic infrastructure, very small and isolated markets and inherent risk are all continuing factors contributing to poor local investment opportunities in Alaska. These resulted in business investments that lay outside the expertise of their management in such sectors as hotel ownership, vacation resort development and oil industry support services. MANY OF THESE INVESTMENTS WERE ADDITIONALLY SUBJECT TO EXTERNALLY CONTROLLED BUSINESS CYCLES OR WERE GENERALLY INAPPROPRIATE FOR OTHER REASONS (LOCATION, COMPETITION, LACK OF MARKETS) AND HAVE CREATED HUGE FINANCIAL LOSSES.

3.3 Administration, Employment and Education

The legislated mandate of the regional corporations was to operate for profit. However, not only did the U.S. Congress and Alaska Native people expect the regional corporations to earn profits, they also expected the corporations to provide the means of improving the "health, education, social and economic welfare" of Native shareholders.[11] THIS MIXING AND COMPETITION BETWEEN CORPORATE GOALS HAS CAUSED MAJOR PROBLEMS FOR SOME REGIONAL CORPORATIONS.

In addition, Congress and the Native beneficiaries also expected the corporations to provide employment, training or business opportunities to shareholders who wished to enter the mainstream economy. Finally, the beneficiaries expected that their Native heritage, including the corporate land and cash assets, would be preserved and appreciate in value for future generations through prudent management. None of these expectations were explicitly stated in the enabling ANCSA legislation. It was up to each regional corporation management's discretion to set policies to meet shareholder expectations.

3.4 High Shareholder Expectations

Trade-offs were made by some of the corporations between concentrating on profit-generating activities immediately and leaving dividend payments, shareholder employment and scholarship programs until they were financially stable. These difficult trade-offs were incomprehensible to many shareholders who simply wanted to see some immediate financial return from the land claims settlement.[12]

Corporations that were profitable and relatively successful were not as critical of the settlement. According to one profitable village corporation,

ANCSA was a progressive step in the best interest of the Native people, and the financial troubles of many other corporations could be attributed to their focus on social interests, such as providing employment to shareholders and education, rather than focussing on profitability and financial returns to shareholders.[13]

4. SUMMARY OF THE JAMES BAY AND NORTHERN QUÉBEC AGREEMENT

The James Bay and Northern Québec Agreement (JBNQA) of 1975 was prompted by hydro-electric development plans for the northern and northwestern parts of Québec. The Cree and Inuit people of northern Québec were concerned about the negative impact that such development would have, including flooding large tracts of land traditionally used by the Cree. Moreover, the Government of Québec sought to establish its legal jurisdiction over the far northern part of the province, an area known as "Nouveau Québec." Negotiations began in 1971 and continued until 1974, when an Agreement-In-Principle (AIP) was reached. The final agreement was signed on 11 November 1975, and provincial and federal legislation enabling the agreement was proclaimed on 31 October 1977. The agreement was signed by three general parties: the Inuit and Cree, the Government of Canada and the Government of Québec along with several quasi-governmental organizations.[14] The Inuit and Cree gave up aboriginal title to land in Québec in exchange for designated land, compensation monies, certain rights and powers for Native people in the region and restrictions on industrial and commercial development in the area.

4.1 Compensation

The Cree and Inuit received $225 million from the Government of Canada, the Government of Québec and the Hydro-Québec. This compensation is to be paid over 20 years and is non-taxable. Of this amount the Cree received approximately $136.6 million, while the Inuit received approximately $88.4 million.[15]

Land was also part of the settlement. The agreement provides for separate land regimes for the Cree and Inuit, the Cree south of the 55th parallel and the Inuit north of the 55th parallel. Within the settlement area land was further classified into three categories.

CATEGORY I LANDS ARE FOR THE EXCLUSIVE USE OF THE CREE AND INUIT AND ARE HELD IN FEE SIMPLE. These lands comprise about 5408 square miles: 2158 square miles for the Cree and 3250 square miles for the Inuit, and are centered around the 22 Inuit and Cree communities.[16] The Category I lands are administered by local and regional Cree and Inuit councils and boards. In most cases the local authorities have direct control over the land.[17]

The second general land classification is Category II lands. 60 130 square miles are classified as Category II lands, of which 25 130 are under the Cree regime and the remaining 35 000 under the Inuit regime. CATEGORY II LANDS ARE UNDER PROVINCIAL JURISDICTION AND ADMINISTRATION; THE CREE AND INUIT DO NOT HAVE OCCUPANCY RIGHTS, BUT MAY USE THE LANDS FOR HUNTING, FISHING AND TRAPPING. General public access is restricted.

The final land category is the Category III lands. This is the residual land: all lands not falling into Categories I or II are considered Category III lands. THE CREE AND INUIT MAY USE CATEGORY III LANDS AND HAVE EXCLUSIVE TRAPPING RIGHTS AND OUTFITTING PRIORITY, BUT OTHERWISE PUBLIC ACCESS IS PERMITTED.

4.2 Beneficiaries (the Native people who benefitted from the settlement)

In order for a person to be eligible to participate in the settlement and to receive benefits, one of the following criteria must be met: 1) the person must be a member of one of the eight Cree bands as defined under the Indian Act; 2) the person must be of Inuit or Cree ancestry, resident in the region; 3) the person must be of Inuit or Cree ancestry and recognized as a member of a Cree or Inuit community; or 4) the person must be the adopted child of an eligible person.

4.3 Governing Structures

The Inuit and Cree administrative structures are similar in that they can both be divided into local, regional and financial authorities. Inuit and Cree communities now conduct their affairs just like municipalities in the province; they can collect property taxes and enact by-laws concerning certain social and environmental matters. The Category I lands specified in the agreement are held by the communities.[18] Both the Cree and Inuit established regional governments, which provide a variety of support services to the communities. In addition to regional governments, there are also numerous other regional boards and authorities, created for specific purposes such as the provision of wildlife management, health, education, policing and sundry other social services.

5. ECONOMIC IMPACT OF THE JAMES BAY AND NORTHERN QUÉBEC AGREEMENT

5.1 Areas of Investment and Economic Activity

In assessing the impact of land claim settlements on the local and

regional economy it will be useful to review the investment and development corporations created pursuant to the agreement. These corporations constitute the "legal entities" referred to in the agreement.[19] Makivik Corporation (Société Makivik) and the James Bay Regional Authority Board of Compensation are the two legal entities that received the compensation funds and constitute the primary investment bodies of the Inuit and Cree respectively. Both corporations are non-profit associations without share capital (unlike the Alaska regional corporations), and without financial gain for the members.[20]

5.1.1 Makivik Corporation

MAKIVIK CORPORATION IS THE PRINCIPAL INUIT INVESTMENT AND DEVELOPMENT ENTITY. MAKIVIK HAS BOTH FINANCIAL AND SOCIAL OBJECTIVES; THESE, AS IN ALASKA, ARE POTENTIALLY CONFLICTING. THE CORPORATION IS TO ADMINISTER AND INVEST THE COMPENSATION MONIES RECEIVED UNDER THE AGREEMENT, ENSURING THAT THE CAPITAL IS NOT DEPLETED, WHILE AT THE SAME TIME PROVIDING SOCIAL SERVICES AND DEVELOPING THE LOCAL ECONOMY. The compensation fund constitutes the base of the corporation's capital and is kept separately. FUNDS ARE INVESTED ACCORDING TO STRICT GUIDELINES CONTAINED IN THE CORPORATE CHARTER.[21]

Investment income is either reinvested or used to achieve social and developmental goals, as corporate policy and needs direct. Makivik also intends to establish an Inuit Development Corporation to stimulate small business activity. The early objectives and activities of Makivik were very much collective in nature; this was due in large part to the nature of the agreement. The Inuit Development Corporation will seek to rectify the difficulty that entrepreneurs have had under the collective system.[22]

Makivik also administers a Community Development Fund that provides developmental funds to communities to assist with local development projects

(arenas, housing, etc.) and cultural activities. In addition, the corporation also directs the regional developmental strategy, including plans for transportation, tourism, banking and communications.

The corporation also operates a number of direct business-risk subsidiaries, most of which provide necessary services in the region. Air Inuit, for example, provides air transportation in northern Québec and also charter services. After a number of unprofitable years, Air Inuit generated profits of $2.5 million on revenues of $14.5 million in the first ten months of 1987 (Makivik Corporation, 1988). Seaku Fisheries has also proven to be profitable. Two other subsidiaries, Sanak Maintenance and Kigiak Builders, are to be liquidated as they were not generating profits over an extended period.

3.1.2 Cree Regional Authority and Related Agencies

The Cree entities operate in a slightly different fashion from those of the Inuit. THE CREE HAVE KEPT THEIR COMPENSATION FUNDS AND DEVELOPMENT ACTIVITIES UNDER SEPARATE ADMINISTRATIONS. The compensation monies are administered and invested by the Cree Regional Authority Board of Compensation, while business subsidiaries are held by the Cree Regional Economic Enterprises Company (CREECO).

The Grand Council of the Crees (of Québec) is responsible for public relations, international affairs[23] and legal matters. The Cree Regional Authority is responsible for regional administrative services, education and cultural programs. The Board of Compensation, under the direction of the Cree Regional Authority, manages the compensation funds.

The directors of both the Grand Council of the Crees (of Québec) and the Cree Regional Authority are comprised of the chief of each of the eight Cree

communities plus one other person selected from each community. The Board of Compensation also includes three additional members appointed by the Council.

LIKE MAKIVIK, THE BOARD OF COMPENSATION PURSUES A CONSERVATIVE INVESTMENT POLICY WITH AN EYE TO RETAINING AND ENHANCING THE CAPITAL. COMPENSATION FUNDS ARE INVESTED IN NORTH AMERICAN STOCKS AND BONDS. About 25 percent of investment income is reinvested, while the remaining 75 percent is divided into three parts. THE FIRST OF THESE, THE COMMUNITY FUND, receives two-thirds of the amount, or 50 percent of total investment income from the compensation money. The Community Fund is allocated to each community on the basis of population; the communities then collectively decide what to do with their share with advice from the Cree Regional Authority. While each community is free to make up its own mind, provided that it is democratic, advice is necessary to coordinate and to avoid duplication of services. THE SECOND IS THE CREE RIGHTS FUND, which receives five percent of investment income and assists in legal matters. THE THIRD IS AN ADMINISTRATIVE EXPENSES ACCOUNT, which receives the remaining 10 percent for school boards, trappers organizations and so forth.

MANAGING BUSINESS ACTIVITIES IS THE RESPONSIBILITY OF CREECO. CREECO is a holding company and its two major subsidiaries are Air Creebec and Cree Construction Company (Québec). Cree Construction originally assisted with hydro-electric projects, but now earns revenue from construction contracts in the Cree communities. Air Creebec is a regional airline that services the Cree communities as well as providing links to Val d'Or and Montréal. In addition, CREECO also has investments in real estate (primarily in Val d'Or, Québec) and in fur brokerage and crafts industries. All corporate profits are reinvested in the businesses.

In addition to the above described corporate entities, THE CREE HAVE ALSO ESTABLISHED THE JAMES BAY EEYOU CORPORATION, which invests the $112 million received as compensation under an amendment to the JBNQA, mainly in stocks and bonds. The communities receive all profits. THE CREE HERITAGE FUND ADMINISTERS THE QUÉBEC DEBENTURES RECEIVED AS PART OF THE AGREEMENT. Interest income has been reinvested.

The Cree corporate entities, like those of Makivik, have faced the problem of conflicting financial and social objectives specified in the JBNQA. THE CREE AND THE INUIT HAVE WORKED TO RESOLVE THIS CONFLICT BY RETAINING THE COMPENSATION MONIES (THE PRINCIPAL) AND INVESTING ONLY THE INCOME DERIVED FROM IT. IN THIS WAY THE CORPORATE ENTITIES CREATED BY THE JBNQA HAVE NOT FALLEN INTO THE TRAP OF MANY OF THE ALASKAN REGIONAL CORPORATIONS WHO HAVE IN ESSENCE ISSUED DIVIDENDS FROM PRINCIPAL AND PLACED PRINCIPAL AT RISK IN QUESTIONABLE BUSINESS INVESTMENTS.

5.2 Profitability

Both Makivik and the James Bay Cree entities are privately held corporations and hence do not generally make financial data available. Since Makivik and the Cree entities were incorporated without share capital, there is no shareholders equity and return on owner's equity is not calculated.

Very limited information is available concerning return on average total assets. THE CREE REGIONAL AUTHORITY BOARD OF COMPENSATION SHOWED A RETURN ON AVERATE TOTAL ASSETS OF 8.6 PERCENT FOR 1988 AND 9.8 PERCENT FOR 1987, MOST OF THIS DERIVED FROM INVESTMENT INCOME. CREECO HAD A RETURN ON AVERAGE TOTAL ASSETS OF 0.6 PERCENT FOR 1988 AND -6.5 PERCENT FOR 1987, DERIVED FROM BUSINESS SUBSIDIARIES (Cree Regional Authority, Board of Compensation, 1987 and 1988). Similar information is not available for Makivik Corporation.

5.3 Objectives: Employment, Education and Social Services

Both the Inuit and Cree face the problem of development in a region that has little to offer in the way of economic opportunity. Furthermore, population has been increasing at a rapid rate, meaning that available jobs may become fewer and fewer. This is especially critical considering that a large segment of the population is very young.[24] It is unlikely that economic development projects operating at the level they are now can create jobs to keep pace with population growth.

Other problems are disparities in educational levels, job skills and income levels of Native and non-Native people. EVEN IN THE SETTLEMENT REGION, NON-NATIVE EMPLOYEES HAVE RECEIVED SOME OF THE BEST JOBS BECAUSE THEY HAVE NEEDED SKILLS OR EXPERIENCE. THERE IS ALMOST NO UNEMPLOYMENT AMONG NON-NATIVES BUT VERY HIGH UNEMPLOYMENT AMONG NATIVE PEOPLE.[25] Makivik and the Cree entities have both attempted to alleviate this problem through training programs for Natives. Makivik, for example, has established a training program for computer literacy (for administrative work) and training in the fisheries industry. The corporation has also attempted to increase the number of Inuit employees in Air Inuit through training programs. While no figures are available, there does seem to be some indication that these training programs have increased the number of Native employees in the region. More information is available for the Cree. Out of nearly 800 employees in Cree construction companies, Air Creebec and various administrative boards, 50 to 60 percent are Cree. EDUCATION, THE EXPENSES OF WHICH ARE COVERED BY THE GOVERNMENT, IS ENCOURAGED THROUGH ADDITIONAL SPECIAL BONUSES GIVEN FOR THE COMPLETION OF HIGH SCHOOL, UNIVERSITY AND PROFESSIONAL DEGREES.

5.4 Dividend Payments (individual payments of annual profits made to shareholders)

Both Makivik Corporation and the James Bay Cree entities were incorporated without share capital, hence no shares exist to be distributed to each beneficiary. There have been no dividend payments to date. THE CORPORATIONS HAVE DECIDED THAT IN THE EARLY YEARS IT WAS ESSENTIAL TO PRESERVE THE CAPITAL AND TO REINVEST ALL PROFITS IN BUSINESSES AND SOCIAL SERVICES. IN THE CASE OF THE JAMES BAY CREE, DIVIDENDS WERE PURPOSELY EXCLUDED FROM THE FINANCIAL PLAN AFTER WITNESSING THE WELFARE-LIKE EFFECT THAT SUCH PAYMENTS HAVE HAD ON THE ALBERTA RESERVES. Both the Cree and Inuit have stated that they may consider dividend payments in the future once the business ventures have a solid footing.

6. PROBLEMS OF THE JAMES BAY AND NORTHERN QUÉBEC AGREEMENT

6.1 Implementation

ONE OF THE GREATER PROBLEMS FACED UNDER THE JBNQA WAS THE LACK OF AN ADEQUATE IMPLEMENTATION PROCEDURE. The Cree and Inuit understood the agreement to be a flexible, evolutionary one in which federal and provincial governments would fulfill their role. To a large part this has not happened; disputes over jurisdiction between the provincial and federal governments have inhibited the implementation of some projects. These governments have tended to view the Inuit and Cree as having compensation money, and hence have been reluctant to finance economic development in northern Québec. Federal and provincial governments are obligated under the agreement to provide certain social services, however the Native groups have had to finance some of these

projects, such as air strips, themselves due to lack of government delivery mechanisms.

6.2 Limited Investment Opportunities

Northern Québec is a region with limited economic potential. There are not significant natural resources on Cree and Inuit lands, and moreover, where they exist they are difficult and expensive to exploit. Northern Québec is distant from major markets, and air communication between the north and south is costly. Both groups have had some success with airlines, and the Cree with a construction company involved mainly with community projects (there is also greater potential for road construction in the Cree region). Outside of such projects there are few investment opportunities inside the settlement region. The alternative is investing in the South, but this does not provide employment benefits to the Cree and Inuit.

6.3 Administration, Employment and Education

The problem of administration has two facets: the imposition of southern-style governing structures on the Native people of northern Québec, and the lack of skilled individuals needed to administer these governing structures. BOARDS AND CORPORATIONS ARE TO A LARGE PART SOUTHERN ADMINISTRATIVE ORGANIZATIONS AND DO NOT PARALLEL TRADITIONAL INUIT AND CREE AUTHORITIES. THIS HAS RESULTED IN AN EXTENSIVE BUREAUCRACY WITH OVERLAPPING MANDATES. For example, the Inuit noted that in 1984 seven different institutions were involved in the design and delivery of training programs in the Inuit settlement region; this in an area containing only 600 people (Makivik Corporation, 1984).

A COEXISTING PROBLEM IS THE LACK OF SKILLED INDIVIDUALS TO ADMINISTER THESE GOVERNING STRUCTURES. BECAUSE OF THE EXTENSIVE BUREAUCRACY, NATIVE LEADERS MUST OFTEN SIT ON NUMEROUS BOARDS AND COMMITTEES AND SPEND MOST OF THEIR DAYS IN MEETINGS. There is also a need to educate Native youth with the appropriate business skills enabling them to manage their own institutions without over-reliance on non-Native consultants.

6.5 Collective Versus Individual

Southerners have often assumed that Native institutions are entirely collective in nature. However, this emphasis on collectivity has been somewhat reduced and greater individual initiative has been shown by Native people. THE GOVERNING STRUCTURES ESTABLISHED UNDER THE JBNQA ASSUMED COLLECTIVITY, AND HENCE LEFT LITTLE ROOM FOR INDIVIDUAL ACTION. This has inhibited the creation of small businesses that would have provided sustainable economic benefits to the region.

7. SUMMARY OF THE INUVIALUIT FINAL AGREEMENT

The Inuvialuit brought forward a comprehensive land claim in 1976 on the basis that they were never part of the treaties signed in the Mackenzie Valley, NWT. Since they had never surrendered their aboriginal rights to traditional lands, they were in a position to convert aboriginal rights into specific negotiated rights embodied in a land claim settlement. A Final Agreement was passed by the House of Commons on 26 June 1984. The Inuvialuit agreed to surrender to Canada all aboriginal claims rights, titles and interests in the Northwest and Yukon Territories in exchange for protection of

hunting, fishing and trapping rights; and title to "Settlement" lands and financial compensation.

7.1 Compensation

Title to approximately 35 000 square miles of land was provided to the Inuvialuit, including surface and subsurface rights less certain natural resource rights to a portion amounting to 30 000 square miles. Under the initial AIP, the Inuvialuit were advanced $9.6 million between 1977 and 1981 in anticipation of signing the Final Agreement. The Final Agreement directed that the balance of capital transfer payments totalling $152 million be advanced between 31 December 1984 and 31 December 1997 in annual installments ranging from $1 million to $32 million. Total payments were valued at $45 million as at 31 December 1977. Figure 1.3 (on the following page) depicts the Inuvialuit Settlement Region boundaries.

7.2 Beneficiaries (the Native people who benefitted from the settlement)

For an individual to be a beneficiary under the land claims settlement, the following criteria have to be met: 1) the individual Inuvialuit is on the official voters list used for approving the Final Agreement; or 2) the individual is of Inuvialuit ancestry (including by custom or tradition), and is accepted as a member of a community corporation; and 3) the individual provides proof that s/he is possessed of a least one-fourth Inuvialuit blood and was born in the Inuvialuit Settlement Region or has been a resident of the region for a total of at least ten years.

Upon enrollment as a beneficiary and attaining the age of 18, each person receives a life interest share in the Inuvialuit Trust.

INUVIALUIT SETTLEMENT REGION

7.3 Governing Structures

Under the Final Agreement, each of six participating Inuvialuit communities formed non-profit community corporations. In addition, a number of privately held corporations were incorporated to receive and manage all the compensation and benefits provided for in the Agreement. Figure 1.4 (on page 29) depicts the corporate hierarchy and Table 1.4 (on page 30) provides selected corporate profiles for 1987.

The Inuvialuit Regional Corporation (IRC), incorporated in 1985, initially received title to the Settlement lands and the financial compensation. It administers Inuvialuit lands through a division called the Inuvialuit Land Administration (ILC) that is responsible for all matters related to land supervision and management. Ownership of the Settlement lands is held by the Inuvialuit Land Corporation.

THE INUVIALUIT DEVELOPMENT CORPORATION (IDC) WAS INCORPORATED IMMEDIATELY UPON RECEIPT OF THE INITIAL PORTION OF $9.6 MILLION ADVANCE UNDER THE AIP. IT WAS CREATED TO HANDLE THESE FUNDS THROUGH THE MEDIUM OF BUSINESS INVESTMENTS. IDC HAS RECEIVED FURTHER PORTIONS OF THE FINANCIAL COMPENSATION WITH THE BALANCE TRANSFERRED TO THE INUVIALUIT INVESTMENT CORPORATION (IIC) THAT IS RESPONSIBLE FOR INVESTING FUNDS IN A BLUE-CHIP INVESTMENT PORTFOLIO. Any direct financial benefits from the activities of these corporations flows to the Inuvialuit people through the Inuvialuit Trust.

THE INUVIALUIT TRUST OWNS 100 PERCENT OF THE NON-VOTING PREFERRED SHARES OF THE IDC, ILC AND IIC AND PASSES THE CAPITAL AND INCOME EARNED BY THESE CORPORATIONS TO ITS SHAREHOLDERS AS DETERMINED BY THE IRC'S BOARD. This board is comprised of community members first elected as heads of their community corporations. These community corporations each hold one voting share in IRC.

Figure 1.4

Inuvialuit Corporate Hierarchy

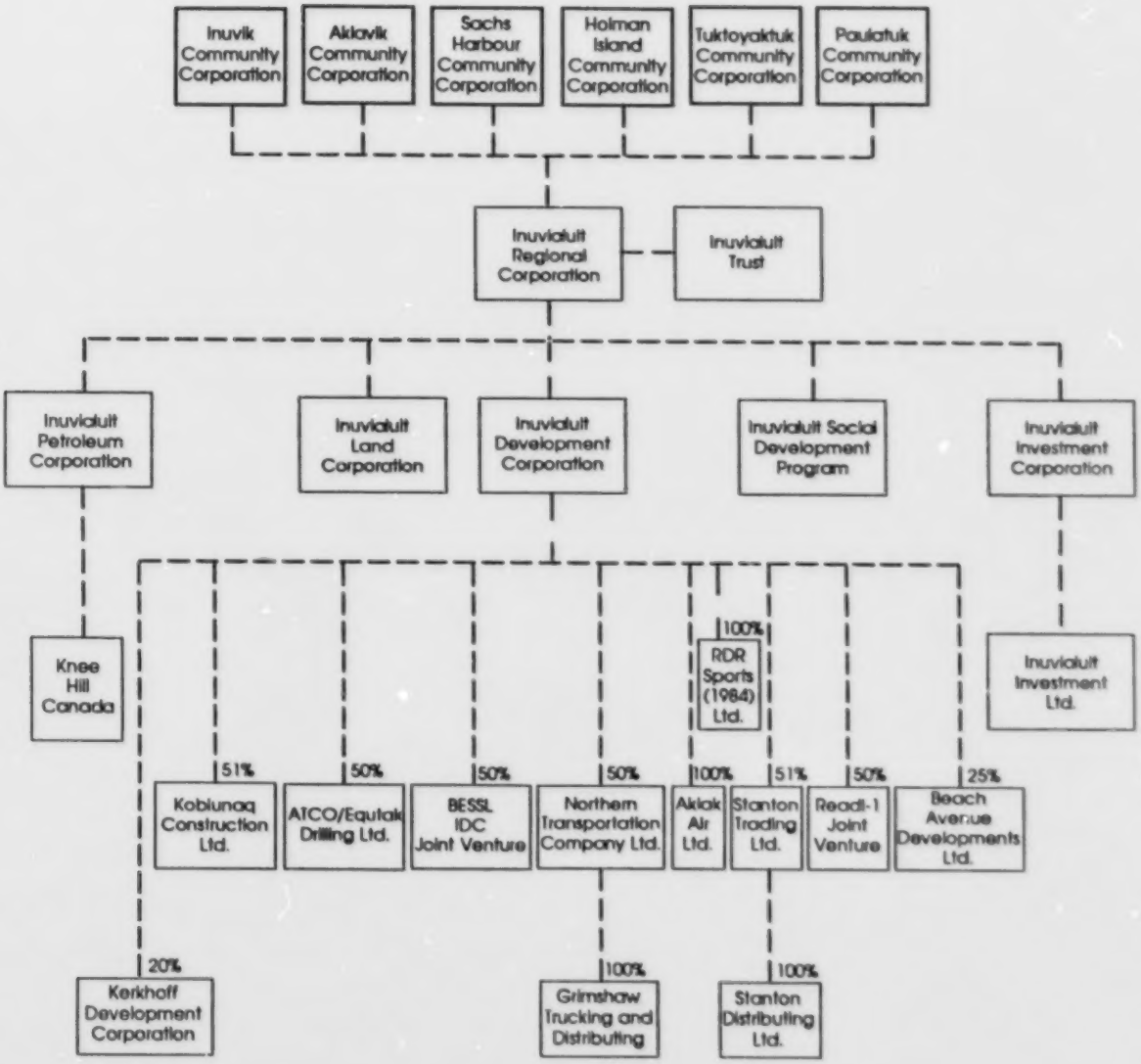

Table 1.4

Profiles of Selected Inuvialuit Corporations (1987)

	IRC	IDC	ILC	IIC
(Thousands of $)				
Current Assets	1,068	11,377	1,414	261
Total Assets	79,690	40,890	2,504	24,662
Current Liabilities	1,682	1,937	382	-
Total Liabilities	66,007	3,642	1,278	-
Stockholders Equity	-	37,248	844	-
Total Revenue	5,212	(379)	458	932
Net Income (Loss)	(1,061)	1,182	(145)	932

The non-profit IRC exercises control over IDC, ILC and IIC by virtue of the fact it holds 100 percent of the common voting stock of these companies.

7.4 Renewable and Non-renewable Resource Management

With regards to renewable resource management, a number of committees are provided for in the Final Agreement. These include a wildlife management advisory council, a game council and a fisheries joint management committee. They provide mechanisms to plan for the conservation and regulated harvesting of wildlife, the preservation of habitat and traditional Native use of resources. The Final Agreement also provides for the establishment of an environmental impact screening committee that assesses development projects for any negative environmental impact.

With regards to non-renewable resource management, the Final Agreement provides for the awarding of government contracts, leases and licences for resource development to the Inuvialuit where the Inuvialuit submit the best bid. In addition, IDC may hold up to 25 mining and 10 prospecting leases and a grace period is granted where royalties are waived.

8. ECONOMIC IMPACT OF THE INUVIALUIT FINAL AGREEMENT

8.1 Areas of Investment and Economic Activity

According to the annual reports,

> the overall goal of IDC is to establish a stable, long-term economic base which will allow the Inuvialuit to contribute to and benefit from the regional and national economy. Some of the benefits to be gained include economic growth through investment and profit, improvement of regional services, greater long-term opportunities for employment and training locally and nationally and a more stable economy through recycling of profits and wages in this region.[26]

The major areas of IDC's business investment activity for the six-year period, 1982 through 1987, include:

- retail and wholesale marketing outlets for grocery products, outdoor equipment and hunting and fishing supplies (RDR Sports (1984) Ltd., Stanton Trading Ltd., Stanton Distributing Ltd.);
- exploration, development and production of oil and gas properties, contract drilling services, as well as oil spill response capability, and survey and mapping opportunities (Inuvialuit Petroleum Corporation, Knee Hill Energy Canada Ltd., Atco/Equtak Drilling Ltd., Beaufort Environmental Support Services Ltd./IDC Joint Venture, Arvik Environmental Ltd., Nutaaq Surveys Ltd.,);
- real estate development (Kobluneq Construction Ltd., Readi-1 Joint Venture, Kerkhoff Development Corporation); and
- air, ground and marine transportation services (Aklak Air Ltd., Northern Transportation Company Ltd. (NTCL), Grimshaw Trucking and Distributing Ltd.).

THESE INVESTMENTS ARE LOCATED IN THE SETTLEMENT REGION, AS WELL AS IN THE TERRITORIES AND IN WESTERN CANADA. IDC has invested in several start-ups and in more established businesses in need of expansion capital. The deals have ranged from a simple investment in a small company to a complicated, leveraged buy-out. IDC has participated in joint ventures and in second-round expansion financing in several of its investments. Furthermore, it has divested several investments that did not meet performance expectations.[27]

8.2 Profitability

IDC appears to follow an active and diversified investment strategy in pursuit of its stated objectives. Its chief sources of revenue have shifted over the 1982 through 1987 period from a tug boat charter service in the early years to oil and gas sales and retail grocery sales in the latter years. The historical financial profitability of IDC is examined using the performance ratios of return on assets and return on equity.

THE RETURN ON OWNER'S EQUITY AND RETURN ON AVERAGE TOTAL ASSETS MEASURES ARE LOW FOR IDC, BUT THEY ARE BETTER THAN THE AVERAGE EQUIVALENT MEASURES (-2 and 1 - see Table 1.3a, page 49) ACHIEVED BY THE ALASKA REGIONAL CORPORATIONS DURING THEIR FIRST FIVE YEARS OF OPERATIONS (1974-78). IDC SHOWS A CUMULATIVE RETURN OF 2.7 AND 3.4 PERCENT RESPECTIVELY FOR THE PERIOD 1982-87. These measures drop for the 1983-87 period where a cumulative return on owner's equity and return on average total assets of 1.9 percent each is earned.[28] THESE RESULTS DO INDICATE THAT THE IDC'S EARLY FINANCIAL PERFORMANCE IS BETTER THAN THAT OF THE ALASKA REGIONAL CORPORATIONS.

Although no shares have been issued to Inuvialuit beneficiaries, earnings per share are reported in Table 1.6 (on the following page), assuming that 2500 beneficiaries received 100 shares each. THIS ASSUMPTION ALLOWS FOR A COMPARISON WITH THE ALASKAN SETTLEMENT DISCUSSED EARLIER IN THIS CHAPTER, AND ONCE AGAIN IDC SHOWS A SOMEWHAT MORE CONSISTENT EARLY PERFO MANCE THAN THE AVERAGE PERFORMANCE OF THE ALASKA REGIONAL CORPORATIONS.

8.3 Objectives: Employment, Education and Social Services

IDC has attempted to incorporate beneficiary hire provisions in many of the contracts governing its business investments. UNFORTUNATELY, THERE ARE NO FIGURES AVAILABLE AS TO THE NUMBER OF BENEFICIARIES EMPLOYED IN INUVIALUIT

Table 1.6

INUVIALUIT DEVELOPMENT CORPORATION
EARNINGS (LOSSES) PER SHARE

1982	$3.37
1983	$3.12
1984	$2.69
1985	$3.86
1986	($5.90)
1987	$ .47

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* based on the assumption of 2500 beneficiaries receiving 100 shares each.

CORPORATIONS, SUBSIDIARIES AND AFFILIATES. Further, IDC has made a commitment to encourage beneficiaries in management training programs.

Scholarships for beneficiaries were first offered for the 1987/88 academic year. There are $2500 scholarships offered by IRC and IDC for business or petroleum engineering studies.

The Final Agreement provides for the establishment of an Inuvialuit Social Development Program to assist the Inuvialuit in improving housing, health, education, welfare, elders lives and the maintenance of traditional practices in the region. The Social Development Fund received special funding of $7.5 million to contribute to the accomplishment of these social goals. The fund is administered by trustees designated by IRC.

A number of economic measures, set out in the Final Agreement, are designed to achieve full Inuvialuit participation in the northern Canadian economy through development of economic self-reliance and a secure economic base. The federal and territorial governments have obligations to alleviate any institutional prejudices that may exist against the Inuvialuit, to assist the Inuvialuit in gaining access to governmental economic assistance programs, and to take reasonable measures to afford the Inuvialuit opportunities for employment and involvement in projects in the Inuvialuit Settlement Region.

8.4 Dividend Payments (individual payments of annual profits made to shareholders)

The only dividend payments declared to date by IRC are for 1988 and 1989. Elders over the age of 50 received $1000 each in 1988 and each beneficiary will receive $100 in February 1989.

9. PROBLEMS OF THE INUVIALUIT FINAL AGREEMENT

9.1 Limited Investment Opportunities

IDC has been the most visibly active corporation since the settlement. It carries a portfolio of investments in a variety of sectors and geographical locations. Until 1985, some communities expressed concern that these investments were made largely in Inuvik and in the South. Management has chosen its investment locales with regards to profit and risk potential, balanced against beneficiary expectations for local investment. Determining this balance is the essence of a successful investment program when beneficiaries have competing expectations of profit and social benefits.

With access to a small pool of trained beneficiaries to fill staff positions, IDC has to rely on outside consultants for advice. This reliance is necessary during the implementation period of a settled claim but may become a problem if a parallel training program is not provided to eventually replace consulting talent with local expertise.

9.2 High Beneficiary Expectations

Beneficiary expectations with regards to this settlement are for increased benefits for the local economy from business investments, and individual benefits from dividend payments, and training and employment opportunities. IRC and IDC have tried to educate their beneficiaries with regards to their development strategy. This strategy has been to earn profits from investments for a number of years to secure their long-term economic viability before dividend payments are made.

Some beneficiaries are dissatisfied with the length of time it is taking to see dividend payments and employment opportunities. In addition, some of

their expectations for financial disclosure and questions regarding the specific activities of their corporations are not being met satisfactorily. These are common concerns in the Alaskan experience as well. Such concerns seem to be remedied over time, however, as better communication develops between beneficiaries and management. But there does seem to be a need for greater accountability on the part of corporation management to the beneficiaries.

10. SUMMARY OF LAND CLAIMS ECONOMIC EXPERIENCE

Four major areas of concern stand out as a result of our review of the foregoing land claims settlements: shareholder/beneficiary expectations, implementation strategies, human resources and investment policies. In each of these areas we have discovered significant experience that will be of benefit to the next generation of land claims beneficiaries. What follows in this section is a clear statement of problems; the conclusions at the end of Chapter 1 suggest recommendations for action by both the GNWT and Native beneficiaries.

10.1 Shareholder/Beneficiary Expectations

At the outset of comprehensive claims negotiations there are typically several layers of expectations for the process. Elders desire the means to keep the culture alive and dynamic. From this perspective, land is foremost, followed by money and rights to self-government. Middle-aged beneficiaries who are already part of the wage economy may place a higher value on cash and rights than they do on land. Youth may favour enhanced access to education

and new job choices, many of which are based in urban locales. The general public expects some improvement in socio-economic conditions and some consequent reduction in social cost. RECONCILING ALL OF THESE EXPECTATIONS HAS PROVEN TO BE A MAJOR TASK DURING THE FIRST DECADES OF SETTLEMENT IMPLEMENTATION. The for-profit corporate model used to greater or lesser degree in all of the land claims settlements studied is particularly problematic in this respect because all such companies must make a profit to exist. The pressures to forego profits and to pay dividends from corporate assets have often been succumbed to by management. THE LONG TERM PRACTICE OF THIS STYLE OF CORPORATE MANAGEMENT WILL LEAD TO BANKRUPTCY.

10.2 Implementation Strategies

Implementation of a settled comprehensive claim has proven to be a daunting task for each group examined in this report. THE CLAIMS DOCUMENTS ARE HORRENDOUSLY COMPLEX, WRITTEN IN LEGAL JARGON AND CHARACTERIZED BY AN ABSENCE OF PLAIN ENGLISH (LET ALONE THE APPROPRIATE NATIVE LANGUAGE). For beneficiaries still in the bush economy these documents are often formidable, and the tasks associated with their implementation have been frequently delegated to large teams of non-Native consultants, lawyers and accountants. This process of delegation, while necessary, has been extremely costly. Litigation costs alone in Alaska have recently been estimated at $35 million.

IN SOME CASES GOVERNMENTS HAVE NOT LIVED UP TO THEIR OBLIGATIONS UNDER THE RESPECTIVE AGREEMENTS AND THE IMPLEMENTATION PERIOD HAS REALLY CONTINUED TO BE A PARTIAL PROCESS OF NEGOTIATION.

10.3 Human Resources

Each group of land claims beneficiaries has faced the same problem with

respect to staffing the many corporations, boards and committees associated with the claims settlements. WHILE THE DEMANDS FOR TRAINED PERSONNEL HAVE BEEN IMMEDIATE, THE BENEFICIARIES HAVE TYPICALLY BEEN TEN TO FIFTEEN YEARS AWAY FROM PROVIDING THE NECESSARY POOLS OF NATIVE HUMAN RESOURCES. Clearly there is a need for aggressive Native scholarship and bursary programs well before comprehensive claims are settled. In the absence of ready Native professionals and managers, beneficiaries have no option other than the traditional reliance on outside consultants.

10.4 Investment Policies

The four land claims studied have generally revealed the dilemma of mixed shareholder expectations in the setting of investment policies. AS A CONSEQUENCE OF THESE EXPECTATIONS, DIVIDENDS HAVE OCCASIONALLY BEEN PAID IN LOSING YEARS, POOR INVESTMENTS HAVE BEEN SHORED UP WITH SCARCE CAPITAL RESERVES AND SOME DISPROPORTIONATE BUSINESS RISKS HAVE BEEN TAKEN.

THOSE BENEFICIARIES WHO VIGOROUSLY APPLIED POLICIES OF DIVERSIFIED PORTFOLIO INVESTMENT HAVE SHOWN THE BEST ECONOMIC RETURNS. Their portfolios are typically diversified in terms of cash invested in blue-chip stocks, bonds, debentures, and certificates of deposit, and cash directly invested in businesses. Their business investments are typically diversified in terms of industry sectors and geographic locations, including local, regional, national and international investments. THE BEST INVESTMENT STRATEGIES FOLLOWED PLANS FOR BALANCED DEVELOPMENT OF THE LOCAL ECONOMY UTILIZING INTEREST AND DIVIDENDS EARNED ON CLAIMS CASH PRINCIPAL, WHILE PROTECTING THE PRINCIPAL AND LAND ASSETS THROUGH PRUDENT PORTFOLIO MANAGEMENT.

It is worth noting that even with the benefit of portfolio management, investment diversification and balanced development strategies for the local

economy, MOST OF THE CASE STUDIES REVIEWED INDICATE SLOW FINANCIAL PROGRESS AT BEST. Return on owner's equity and return on average total assets for the Alaska regional corporations, -4 percent and -1 percent respectively for the period 1974-87, ranks at the bottom of our list. The Cree Regional Authority Board of Compensation and CREECO show returns on average total assets of 8.6 percent and .6 percent respectively in 1988. The Inuvialuit Development Corporation shows a total mean return on owner's equity and return on average total assets of 3.4 percent and 2.7 percent respectively for the period 1982-87. Given the great disparities in financial data availability (14 years for Alaska, 2 for JBNQA and 6 for the Inuvialuit), inter-group comparisons are really comparisons of apples and oranges. It does appear, however, that in all cases (with the possible exception of the Cree Board of Compensation in 1988) straight forward investment of claim's cash in savings bonds would have yielded better results.

11. CONCLUSIONS

After fifteen years (1974-1989) of investment experience, the Alaska regional corporations have an average record of poor financial performance. While a few regional corporations have registered profits and have consistently issued dividends, the majority have struggled along, beset by a series of shared problems:

- bureaucratic delays in conveyancing cash and lands to the beneficiaries during the implementation period;
- the institutionalized conflict between being for-profit and meeting the beneficiaries' expectations for social service;

- o the over-reliance on a limited array of Alaskan business risk investments (hotels, subdivisions, canneries, oil and gas and timber companies), all of which were subject to swings in international business cycles; and
- o the chronic shortage of well-trained beneficiaries to act as corporate managers, directors and professionals.

The corporate investments of the James Bay Cree and the Inuit of northern Québec have a better track record than the Alaskan regional corporations, principally because of stringent requirements for compensation fund investment:

- o Makivik must invest its compensation funds according to strict guidelines contained in its corporate charter;
- o the Cree are also bound by these guidelines, and the Board of Compensation pursues a conservative investment policy with the goal of retaining and enhancing the capital.

THE CREE AND THE INUIT HAVE WORKED TO MANAGE THE CONFLICT BETWEEN DESIRE FOR PROFIT AND DESIRE FOR MORE SOCIAL SERVICES BY INVESTING ONLY INCOME IN ECONOMIC DEVELOPMENT, ADMINISTRATIVE AND LEGAL SERVICES.

The Inuvialuit have followed a kind of combination strategy, showing both a willingness to take risks and a desire to preserve capital. The Inuvialuit Development Corporation has pursued business risk investments in different sectors, not just in the settlement region, but also in the South. In this sense it has wisely diversified its business investments geographically and sectorally. Investments that have not performed according to expectations have been divested. As well, the Inuvialuit Investment Corporation has

maintained a parallel blue-chip stock portfolio. In this way diversified business risk has been offset by professional portfolio management.

The GNWT, Dene/Metis and Tungavik Federation of Nunavut beneficiaries to be could draw the following conclusions from the four case studies:

- the details of claims implementation, especially schedules for cash and land disbursements, should be concise, clear and written in plain English;
- a balanced (both geographically and sectorally) investment policy for claims cash is essential;
- the investment of cash principal in a trust fund yields interest and dividends of a monetary and policy nature; and
- education of beneficiaries for management, director and professional roles in the implementation process should begin immediately.

NOTES

1. U.S. Public Law, Alaska Native Claims Settlement Act Amendments of 1987. 3 February 1988:100-241.

2. U.S. Public Law. 1988:100-241.

3. See Tables 1.2a-d for a detailed breakdown of revenue sources for selected corporations.

4. For a further discussion of the historical financial performance of regional corporations, see Chapter Four, Wuttunnee, 1988. Complete information for two corporations was unavailable. Financial ratio analysis is one tool in analyzing the performance of a company but its limitations should be recognized. That is, it helps the analyst with identifying possible problem areas and may assist management revising its strategy but it is only one element in this whole process.

5. Cumulative profitability measures are reported in Table 1.3.

6. This earnings per share measure is reported in Figure 1.2 for selected corporations.

7. Alaska Native Claims Settlement Act (ANCSA) - ANCSA 1985 Study. 1985. Falls Church, VA: United States Department of the Interior. IV1-IV22.

8. ANCSA 1985 Study. IV-1

9. Dividends per share for selected corporations are reported in Figure 1.2.

10. See Wuttunee (1988), Chapter Three.

11. ANCSA 1985 Study. ES-12.

12. See shareholder transcripts from Thomas Berger's inquiry and Village Journey. 1985. New York: Hill and Wang.

13. Thomas A. Morehouse. 1988. The Alaska Native Claims Settlement Act, 1991, and Tribal Government. Anchorage, Alaska: Institute of Social and Economic Research. pp. 18-19.

14. The parties to the agreement were as follows: The Grand Council of the Crees (of Québec) and the Northern Québec Inuit Association; the Government of Canada; and the Government of Québec, the Société d'énergie de la Baie James, the Société de développement de la Baie James, and the Commission hydroélectrique de Québec (Hydro-Québec).

15. It should be noted that this total amount has not yet been received. As of 1988, the Cree have received about $107 million and the Inuit about $71 million of compensation money.

16. At the time of the agreement there were eight Cree communities and sixteen Inuit communities (two overlapped and were composed of both Cree and Inuit).

17. Category I lands are made slightly more complicated by their subdivision into Category IA and Category IB lands. Category IA lands are under federal jurisdiction and are similar to other Canadian Indian Reserves. Category IB lands are under the jurisdiction of the province of Que'ec but are managed and controlled by Native corporations.

18. In the case of Makivik, land is held by community-based Landholding Corporations (LHCs).

19. See sections 26 and 27 of the James Bay and Northern Québec Agreement (1976).

20. Note that the beneficiaries of the James Bay and Northern Québec corporations are designated as "members" rather than as "shareholders," as in the Alaska settlement. There is no share capital and no shares were issued.

21. Section 7 of the corporate charter specifies the percentage of compensation monies that must be invested according to the guidelines contained in the schedule. For the first ten years after the establishment of the corporation (1977-87) Makivik must invest 75 percent of the compensation money in the investments listed in the schedule. For the period 1987-97, only 50 percent of compensation funds need be invested according to the schedule. The Cree are also bound by this timetable.

The schedule contains very detailed specifications for investment, but in general these include bonds issued by the Québec, other provincial, Canadian, or American government; bonds issued by public authorities; certain types of corporate bonds; certain preferred and common stocks; and certain types of real estate and mortgages. The corporation operates under insurance guidelines, hence the investments are very conservative (see Makivik Corporation, 1980).

22. The Inuit Development Corporation will provide, among others, the following services: development and advisory services; small business loans and seed capital; infrastructure investments to stimulate small business development; venture capital; and will seek to remove the overlapping mandates of Inuit organizations (Makivik Corporation, 1988).

23. The Cree have Non-Governmental Organization (NGO) status at the United Nations.

24. For example, in 1984 Makivik Corporation noted that 43 percent of Inuit were under the age of 14, and 57 percent are under 19 (Makivik, 1984).

25. Makivik noted that unemployment among Inuit reached 45 percent in 1981 and that it is probably higher now (Makivik, 1984).

26. Inuvialuit Development Corporation. Annual Report. 1981:1.

27. See Figure 1.5 for IDC's revenue source profiles from 1982 through 1987.

28. Annual and cumulative profitability measures are reported in Table 1.5.

Table 1.2a

Sources of revenue for selected corporations in Alaska by per cent of the total revenue

1974

Ahtna	Arctic Slope
Data not available	Oil lease 92 Construction 2 Interest 6

Cook Inlet
Interest 100

Koniag	NANA
Interest 97 Other 3	Interest 81 Construction 12 Hotel 7

Table 1.2b

Sources of revenue for selected corporations in Alaska by per cent of the total revenue

1978

Ahtna

Pipeline construction/ maintenance and electrical contracting 60
Interest 1
Lodge 34
Other 5

Arctic Slope

Construction 31
Oil leases 31
Contracting 12
Interest 1
Fuel sales 11
Other 14.9

Cook Inlet

Office rental 34
Hotel 25
Interest 6
Resource revenue 10
Other 25

Koniag

Fishing supplies 85
Office rentals 13
Interest 1
Other 4

NANA

Construction 52
Fuel sales 14
Camp and hotels 12
Other 22

Table 1.2c

Sources of revenue for selected corporations in Alaska by per cent of the total revenue

1983

Ahtna

Heavy construction 40
Interest and dividends 18
Natural resources 18
Lodge 10
Other 14

Arctic Slope

Labor and equipment contracting, oil field and general construction 42
Fuel sales 16
Natural resources 15
Interest 4
Bus 13
Other 10

Cook Inlet

Natural resources 19
Oil and gas drilling and construction 35
Interest 22
Rentals 14
Other 10

Koniag

Marine supplies 40
Natural resources 44
Interest 5
Rentals 9
Other 5

NANA

Oilfield camp and hotel 24
Security services 24
Interest 12
Fuel sales 11
Electrical generation 13
Natural resources 7
Other 8

Table 1.2d

Sources of revenue for selected corporations in Alaska by per cent of the total revenue

1987

Ahtna

Interest 24
Contracts and rentals 71
Natural resources 5
Other 10

Arctic Slope

Interest 1
Labor and equipment contracting 66
Fuel sales 10
Natural resources 4
Consulting 4
Other 15

Cook Inlet

Natural resources 32
Interest 20
Tax benefits 39
Other 9

Koniag

Tax benefits 43
Natural resources 18
Interest 9
Energy resources 13
Other 17

NANA

Contracted services 31
Camp and hotel 15
Electrical generation 14
Interest 13
Fuel sales 10
Natural resources 4
Other 13

Table 1.3a

PROFITABILITY MEASURES (AVERAGE) FOR ALASKA REGIONAL CORPORATIONS FOR THE FIVE-YEAR PERIOD 1974-78

	Return on Assets (percent)	Return on Equity (percent)
Ahtna	1	2
Aleut	-1	-10
Arctic Slope	3	9
Bristol Bay	7	1
Calista	.1	-8
Chugach	-2	-6
Cook Inlet	9	-1
Doyon	.2	.1
Koniag	-1	-4
NANA	2	.2
Sealaska	-.2	-.2
Total Average	1	-2

Table 1.3b

PROFITABILITY MEASURES (AVERAGE) FOR ALASKA REGIONAL CORPORATIONS FOR THE TEN-YEAR PERIOD 1974-83

	Return on Assets (percent)	Return on Equity (percent)
Ahtna	1	3
Aleut	-.1	-5
Arctic Slope	3	5
Bristol Bay	4	1
Calista	-2	-7
Chugach	-2	-6
Cook Inlet	7	5
Doyon	1	1
Koniag	-2	-6
NANA	2	1
Sealaska	-1	-2
Total Average	1	-1

Table I.3c

PROFITABILITY MEASURES (AVERAGE) FOR ALASKA REGIONAL CORPORATIONS FOR THE FOURTEEN-YEAR PERIOD 1974-87

	Return on Assets (percent)	Return on Equity (percent)
Ahtna	2	3
Aleut	1	-3
Arctic Slope	2	6
Bristol Bay	3	2
Calista	-3	-9
Chugach	-5	-12
Cook Inlet	7	7
Doyon	-3	-5
Koniag	-11	-26
NANA	2	2
Sealaska	-2	0
Total Average	-1	-4

Table I.3d

PROFITABILITY MEASURES (AVERAGE) FOR ALASKA REGIONAL CORPORATIONS FOR THE FIVE-YEAR PERIOD 1983-87

	Return on Assets (percent)	Return on Equity (percent)
Ahtna	2	3
Aleut	4	1
Arctic Slope	.1	.4
Bristol Bay	2	4
Calista	-4	-11
Chugach	-8	-19
Cook Inlet	9	14
Doyon	-10	-16
Koniag	-28	-69
NANA	4	5
Sealaska	-3	0
Total Average	-3	-8

Figure 1.2a

Earnings per share and dividends per share for selected corporations

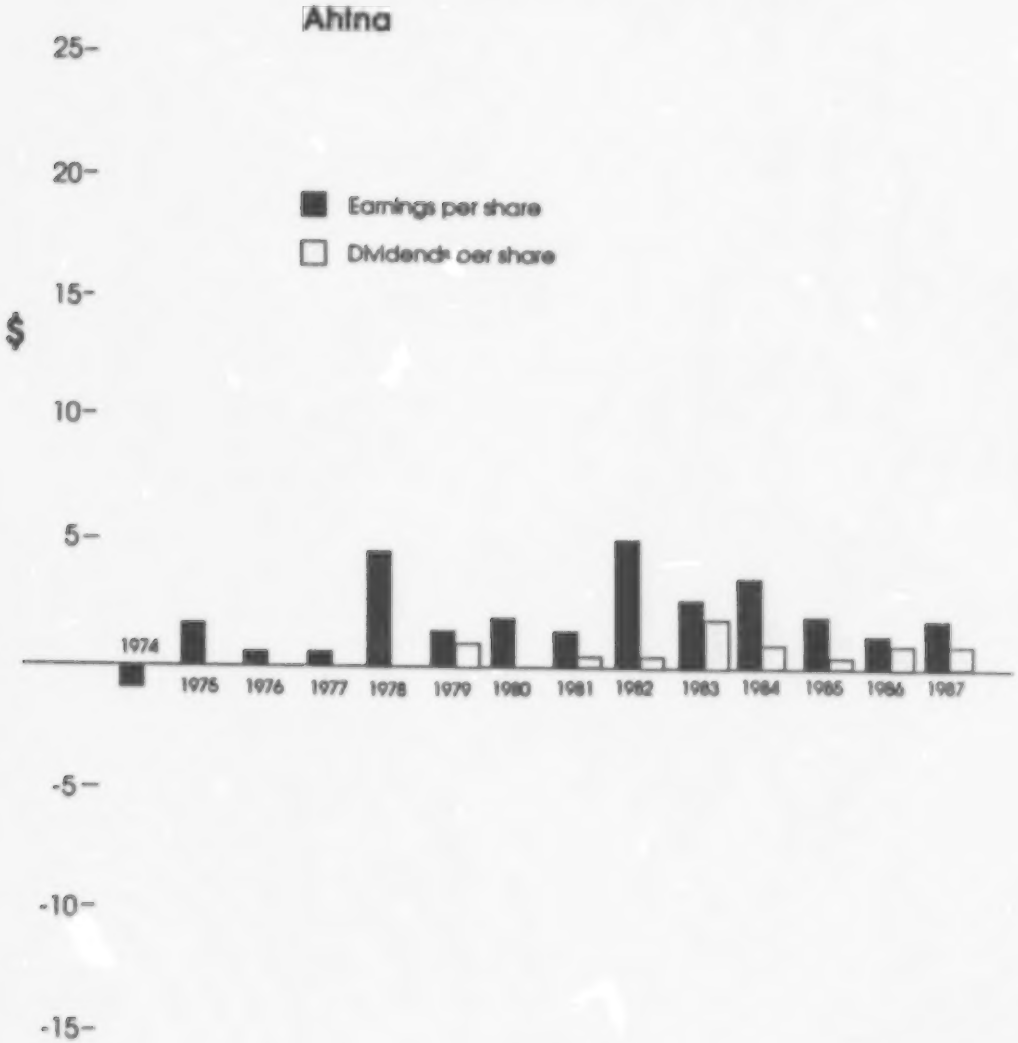

Figure 1.2b

Earnings per share and dividends per share for selected corporations

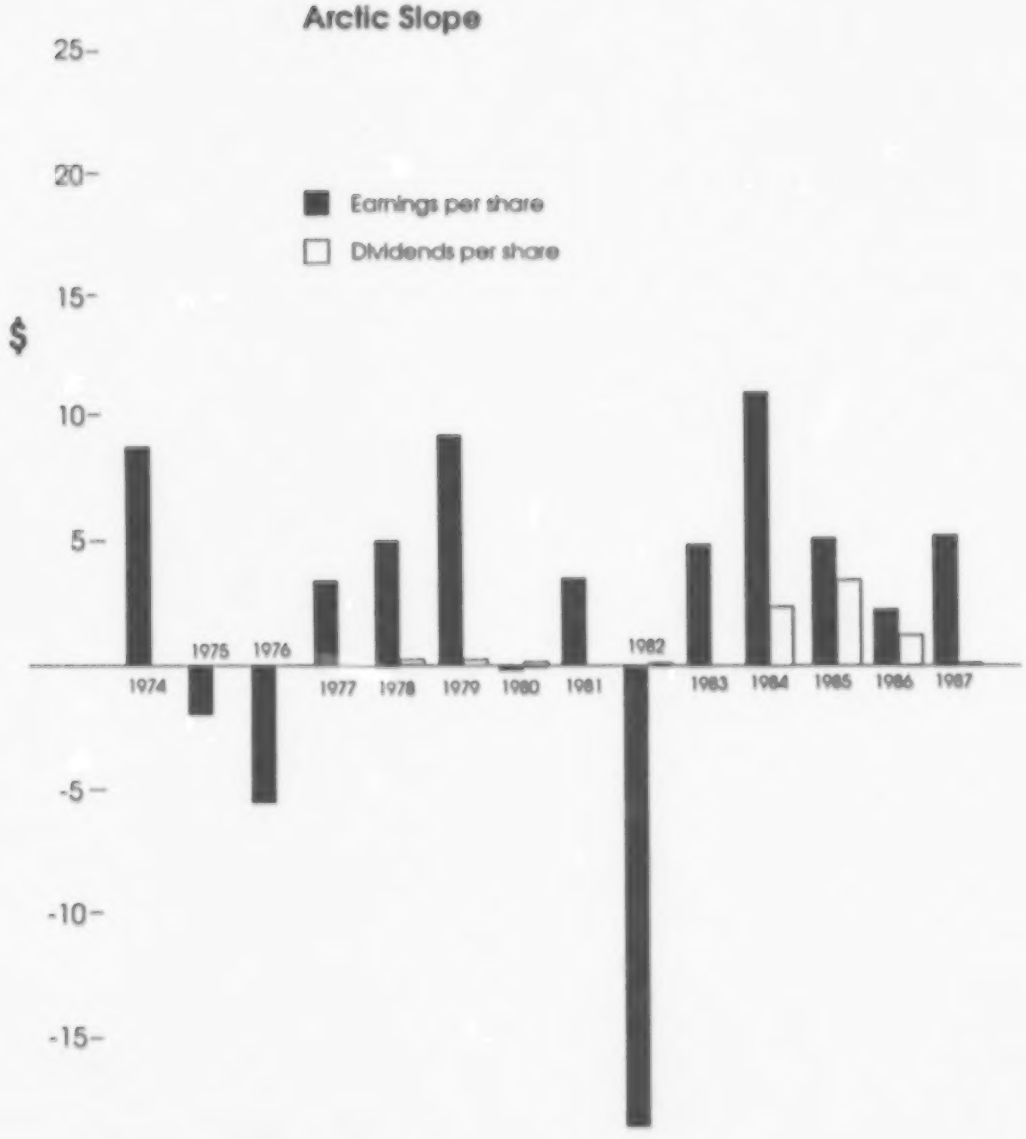

Figure 1.2c

Earnings per share and dividends per share for selected corporations

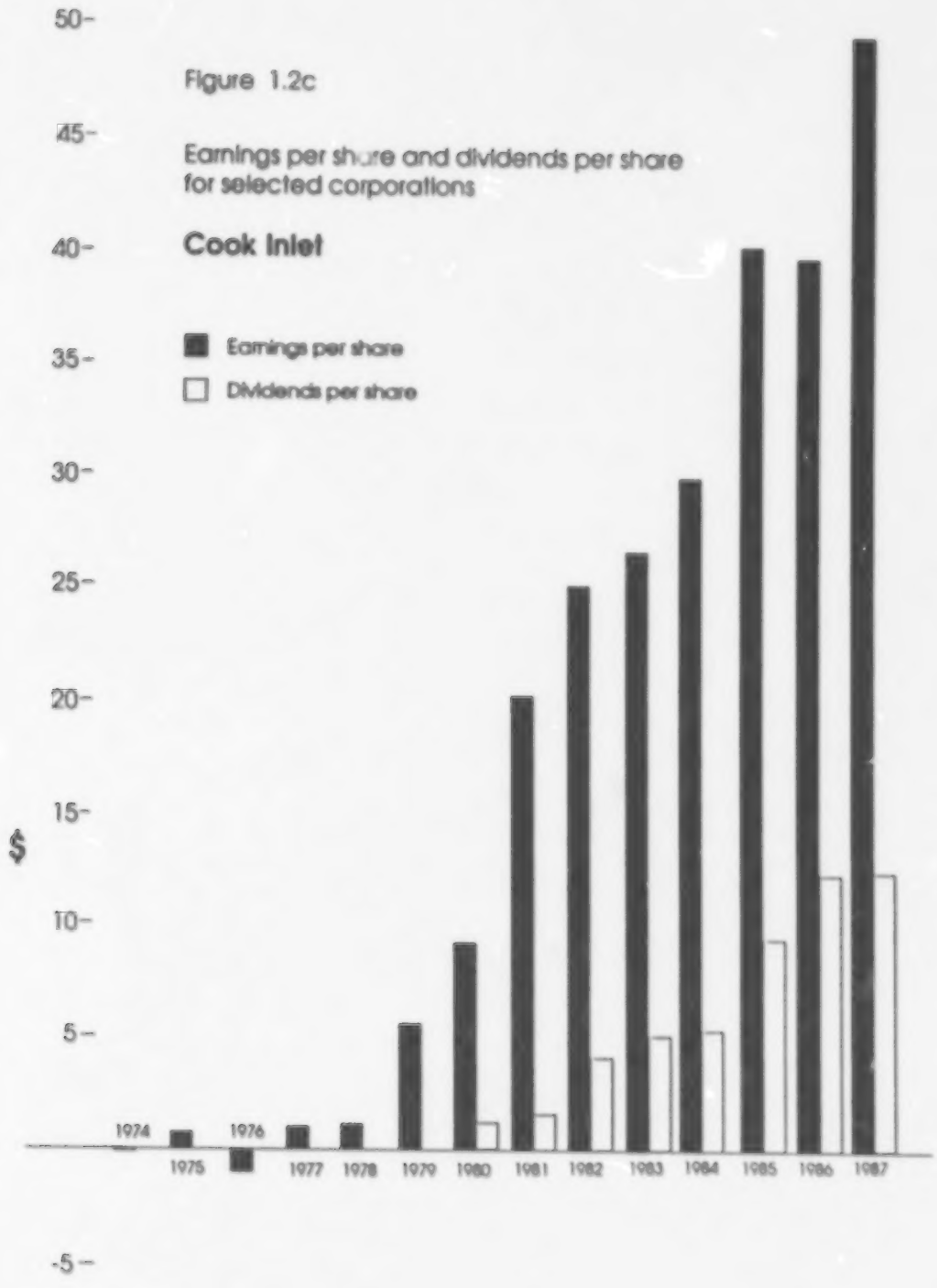

Figure 1.2d

Earnings per share and dividends per share for selected corporations

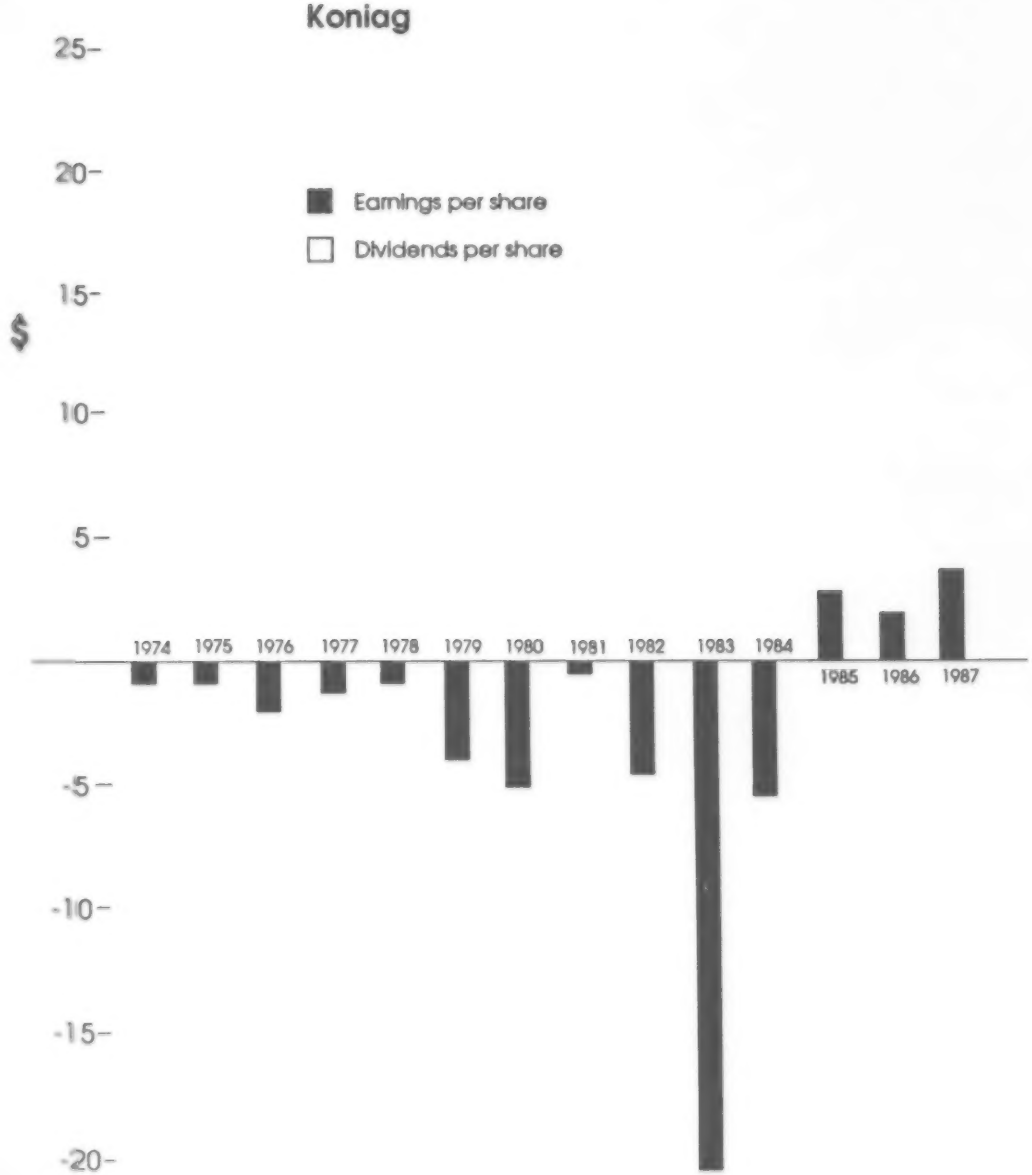

Figure 1.2e

Earnings per share and dividends per share for selected corporations

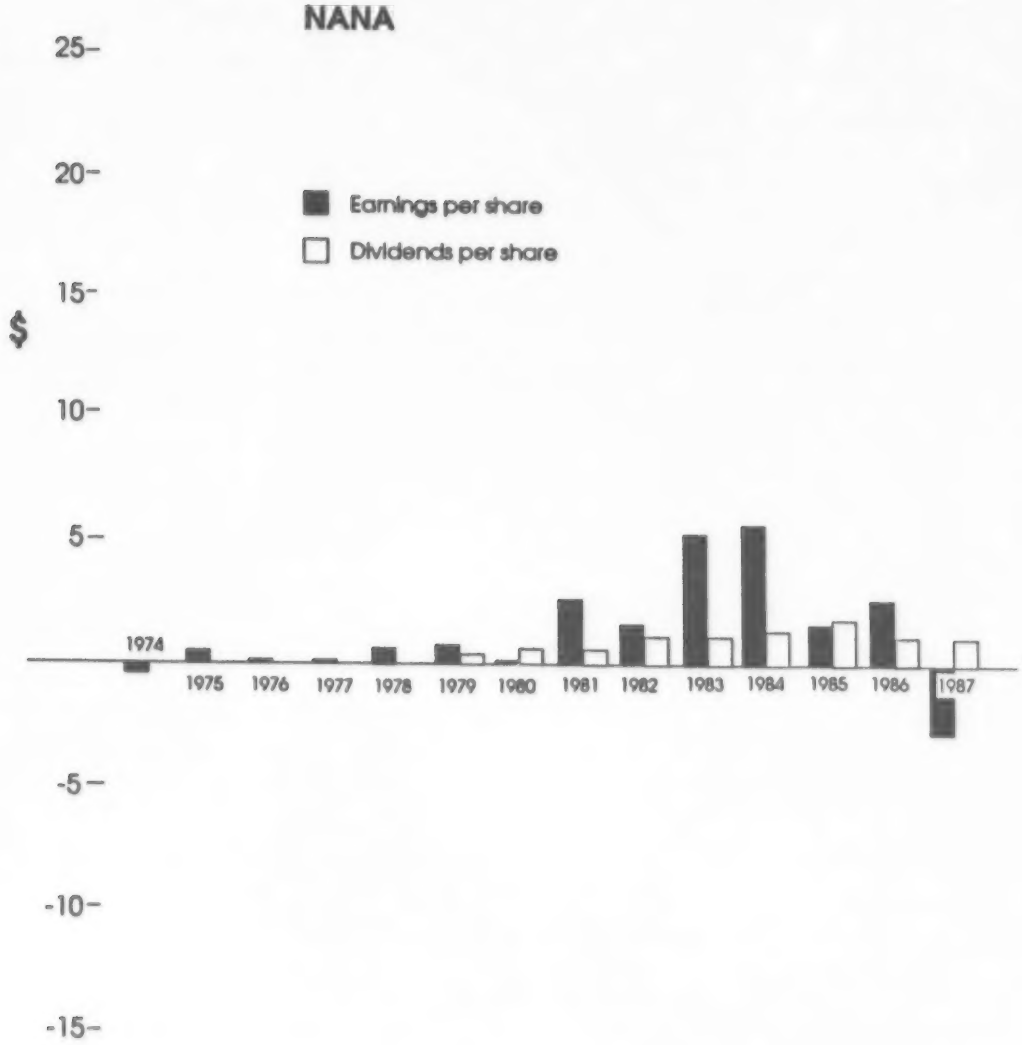

Figure 1.5

Inuvialuit Development Corporation

Sources of revenue by per cent of the total revenue

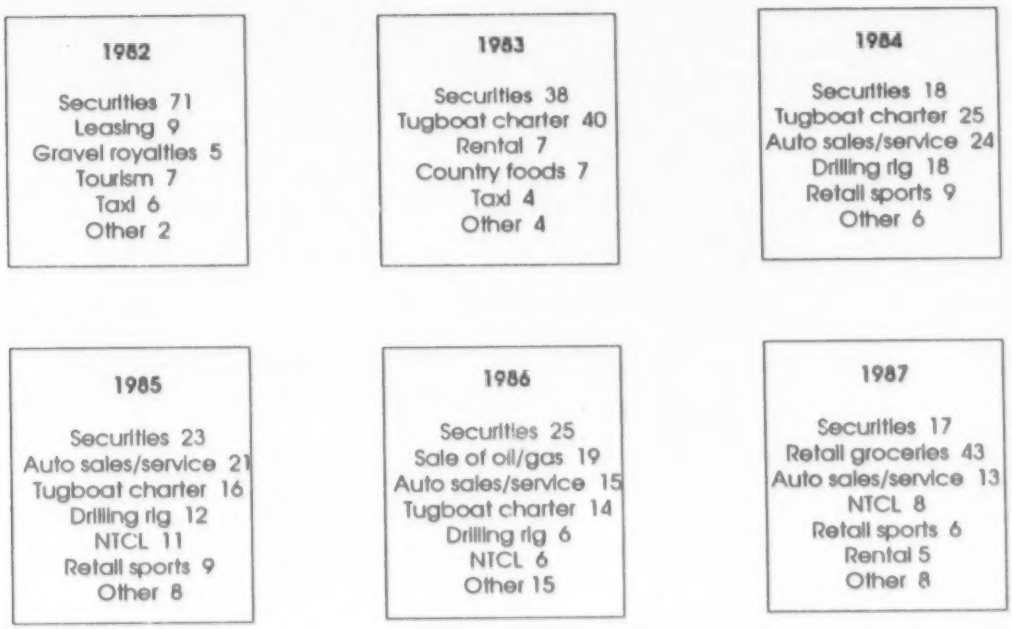

Table 1.5

PROFITABILITY MEASURES FOR I.D.C.

	Return on Assets (percent)	Return on Equity (percent)
1982*	6.3	11.0
1983	5.0	5.0
1984	2.4	2.9
1985	2.0	2.6
1986	(2.6)	(4.1)
1987	2.9	3.2
Total Mean		
1982-1987	2.7	3.4
1983-1987	1.9	1.9

Note: *1982 is calculated as a two-point average with data from 1981.

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CHAPTER TWO

A PROFILE OF THE ECONOMIC BENEFITS OF PENDING NORTHWEST TERRITORIES LAND CLAIM SETTLEMENTS

INTRODUCTION

The Alaska, James Bay and northern Québec land claims have been operational long enough to begin identifying performance trends, strengths and weaknesses. These can provide valuable lessons for the next generation of comprehensive agreements. However, these claims have matured under political, economic and cultural conditions which are not totally representative of the NWT. The Inuvialuit agreement is the only comprehensive agreement that has been finalized in the NWT and it is only now becoming mature enough to evaluate. Valuable lessons may also be learned from the Inuvialuit experience, but again, their claim is the smallest of the three comprehensive claims in the NWT. The largest impacts of the current generation of land claim agreements await final settlement and implementation of the claims of the Dene-Metis ([DM] approximately 12 000 descendants of the Chipewyan, Slavey, Loucheux, Dogrib, Hare or Cree Indians of the Western Arctic) and those of the Tungavik Federation of Nunavut ([TFN] approximately 17 000 descendants of the Inuit of the Kitikmeot, Keewatin and Baffin regions of the eastern and high Arctic). Because these major land claims have not yet reached final agreement, any analysis of their benefits must be tentative. Although the DM-AIP has been approved and made public (INAC, 1988a), many crucial details remain to be negotiated (Murphy, pers. comm.), including schedule of payments, rates of interest, membership on various management boards, etc. In the area of the TFN claim, a series of subagreements-in-

principle have been initialled, but many issues including cash compensation remain unresolved (Dewar, pers. comm.). Despite the incomplete status of these agreements it is now possible to forecast their main economic features. These will include: an improved business environment, multi-billion dollar cash payments, large tracts of land, resource royalties, management structures, employment opportunities, exclusive and preferential uses of some resources and a variety of tax benefits.

1.1 Intangible Economic Benefits

Among the most significant economic impacts of the land claim agreements will be the fact that they are finally settled. Uncertainty will be resolved and a new atmosphere of predictability will emerge. THE POST IMPLEMENTATION ENVIRONMENT WILL BE LESS RISKY AND THEREFORE MORE ATTRACTIVE FOR PRIVATE SECTOR INVESTMENT. Increased activity in the business sector will generate opportunities for entrepreneurs at all levels.

1.2 Cash Compensation and Payment Schedules

Among the most important, but perhaps the most poorly understood of land claim economic measures, is the issue of cash compensation. Cash settlements are usually expressed as a quantum of money at a specified time. The Inuvialuit received $45 million valued at 31 December 1977 (INAC, 1984). The DM have negotiated an award of $500 million in 1990 dollars. The cash quantum for the TFN claim remains unsettled.

Cash awards also specify a schedule of payments, which sets the rate of interest paid on the outstanding balance and the amount due in each payment period. By spreading the payout period over 14 years and placing the bulk of

the payments in the final years, the Inuvialuit have more than tripled (3.4 times) their accumulated total cash payout.[1]

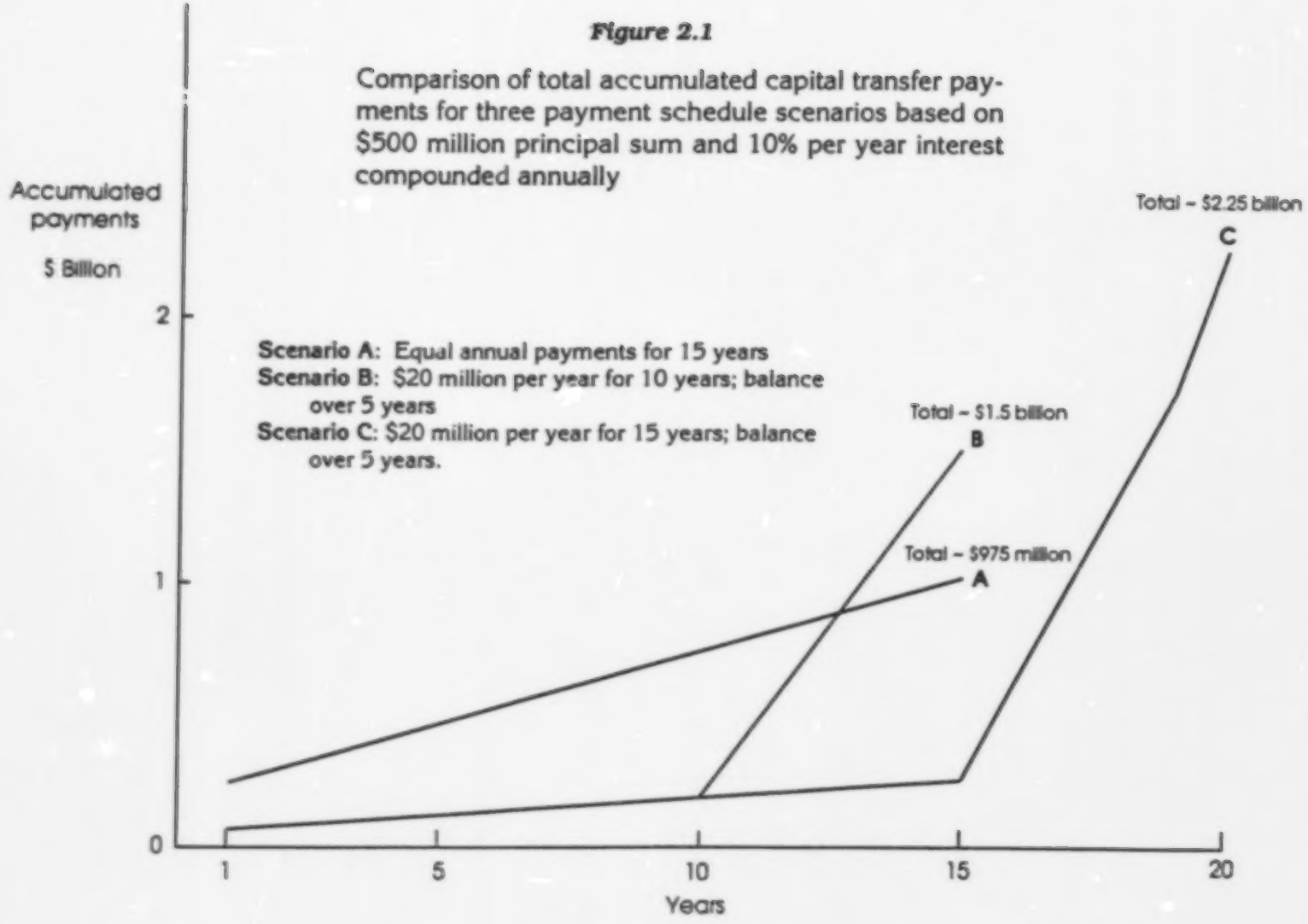
If the DM negotiate a 15-year schedule of equal payments with an interest rate of 10 percent, their accumulated cash payout will be slightly less than $1 billion. If they negotiate a 15-year schedule with the bulk of the payments in the final few years, the accumulated payout could be in the range of $1.5 billion. HOWEVER, IF THEY SUCCEED IN NEGOTIATING A 20-YEAR PAYOUT WITH THE BULK OF THE PAYMENTS IN THE FINAL YEARS, THEY MAY BE ABLE TO MORE THAN QUADRUPLE THE TOTAL PAYOUT TO MORE THAN $2.2 BILLION (see Figure 2.1 on the following page). If the DM are only as successful as the Inuvialuit, their total payout will be in the range of $1.7 billion ($500 x 3.4).[2]

The long range objective of a secure investment fund in the range of $1.5-$2.0 billion is within reach of the DM. If the cash compensation awarded to the TFN is in the same range, then it is quite possible that within 25 years the participants in the two outstanding claims could control $3-$4 billion. THESE FUNDS SHOULD BE ABLE TO GENERATE A CONSERVATIVE RETURN OF 10 PERCENT, YIELDING AN ANNUAL INCOME OF $300-$400 MILLION. If paid as equal dividends to 30 000 participants, these funds could translate to a secure annual income in the range of $10,000-$13,000 per year ($200-$250 per participant per week).[3]

The agreements will also include a mechanism for borrowing against future payments through a preferred interest loan authorized by the Minister of Finance.[4] The participant groups must repay outstanding negotiation loans according to a schedule that is proportional to the schedule of compensation payments.[5]

Figure 2.1

Comparison of total accumulated capital transfer payments for three payment schedule scenarios based on $500 million principal sum and 10% per year interest compounded annually



1.3 Land

1.3.1 Amounts of Land

Two classes of claimed lands will be identified in the final agreements; class A lands held by the claimants in fee simple without mines and minerals; and class B lands held in fee simple including mines and minerals. The DM-AIP specifies a total land quantum of 70 000 square miles divided into 66 100 square miles of class A land and 3900 square miles of class B lands.[6]

The DM-AIP refers to a zone map which divides the entire claim area among three zones. Zone A encompasses 66 000 square miles of accessible and developed lands along the highway system and around Great Slave Lake. The DM may select no more than 13 200 square miles from Zone A.[7] Zone B lands include 34 000 square miles of land along the Mackenzie River corridor of which at least 8000 square miles must be in the Sah Tu region. The DM must select from the Zone B lands in such a way that the total of Zone A and Zone B lands does not exceed 20 000 square miles. The remaining 50 000 square miles of land must be selected from Zone C, which comprises the remainder of the settlement area.

The DM intend to select lands from each of the five regions in proportion to the population of participants in each of the regions. The final proportions will be determined after a census of participants is completed.[8] With the exception of the 700 square miles to be selected by Aklavik, the distribution of class B lands has not been settled. ONE OF THE MAJOR TRADEOFFS IN THE LAND SELECTION PROCESS WILL BE BETWEEN PROTECTING LANDS WITH HERITAGE OR CONSERVATION VALUES OR SELECTING LANDS WITH ECONOMIC POTENTIAL.

Recently, negotiators have indicated that a quantum of 58 500 square miles has been agreed for the Baffin regions, 35 000 square miles for the Keewatin region and 40 000 square miles for the Kitikmeot regions. The total

land quantum for the TFN area will be approximately 133 500 square miles (Herbert, pers. comm.).

1.3.2 Income from Land

Beneficiaries will be able to earn income from their lands in a variety of ways. They may: enter into lease and access agreements and earn rent from lands occupied or used by others; develop and sell mineral resources on class B lands; develop lands with renewable resource potential; or enter into agreements for the development and sale of surface materials such as sand, gravel and clay. PERHAPS THE MOST LUCRATIVE SOURCE OF REVENUE WILL BE FROM THE DEVELOPMENT, LEASE AND SALE OF LANDS WITHIN MUNICIPALITIES.

1.4 Resource Development Benefits

The DM and TFN claims might provide very different mechanisms for sharing in benefits generated from resource development. The DM have negotiated a "generalized interest" in all resource royalties earned from lands in their settlement area. TFN has initialled an AIP that will allow the Inuit to negotiate a separate impact and benefits agreement for each major development in their claim area.

The "generalized interest" of the DM provides that participants receive 50 percent of the first $2 million and 10 percent of the balance of royalties received by government from non-renewable resource producing properties in their settlement area. The current level of royalty payments would yield an annual cash income of approximately $1.4 million.[9]

The TFN approach has been to negotiate for benefits on an individual project basis. The proponent of any development that involves more than $35 million (1986 dollars) in capital costs or more than 200 person years of

employment over five years, will be required to negotiate an Inuit Impact and Benefits Agreement (IIBA). The IIBA may include any matter connected with a project that could have a detrimental impact or could provide a benefit to the Inuit. Matters negotiable in an IIBA might include training, preferential hiring, scholarship and/or business assistance.

Among the outstanding issues with respect to the TFN interest in resource benefits are the questions of: generalized interest, exploration agreements, public sector contracting, involvement in economic programs, income support and training.

1.5 Management Institutions

Each of the land claims agreements will establish an array of organizations, boards, councils, committees, conferences and trusts. These institutions are intended to ensure that management of resources is directed with the full participation and influence of land claim beneficiaries. Membership in most of these institutions will be determined by the formula of 50 percent nominees of the beneficiaries and 50 percent nominees of government. A major exception to this formula will be the local and regional organizations of hunters and trappers which may exclude non-beneficiaries.

Each claim will specify an organization or set of organizations with mandates in one or more of the following management areas: wildlife (including other renewable resources such as fisheries and forestry); water resources; environmental impact assessment and review; heritage and information resources; parks and reserves; land use planning; and coordination and dispute settlement. Table 2.1 on the following pages compares management institutions likely to result from the three NWT comprehensive agreements.

Table 2.1

A Comparison of Resource Management Institutions to be Established Under NWT Land Claim Agreements

Resource Management Focus	Inuvialuit	Dene/Metis	Inuit (TFN)
1. Wildlife (including Forestry and Fisheries)	Inuvialuit Game Council Wildlife Management Advisory Council (NWT) Wildlife Management Advisory Council Inuvialuit Hunters and Trappers Committees (6) Fisheries Joint Management Committee	Wildlife Management Board Regional Wildlife Management Councils (approx. 5) Local Wildlife Management Councils (approx. 30)	Nunavut Wildlife Management Board Inuit Regional Organizations (3-5) Inuit Hunters and Trappers Organizations (approx. 28)
2. Water Resources	Inuvialuit Land Administration	Land and Water Management Board	Nunavut Water Board
3. Environmental Impact Assessment	Environmental Screening Committee Environmental Impact Review	Environmental Impact Review Board	Inuit Impact and Benefits Agreements (negotiated case by case)
4. Heritage and Information Resources	Research Advisory Council North Slope Annual Conference	To be negotiated	Inuit Heritage Trust

Table 2.1 (continued)

A Comparison of Resource Management Institutes to be Established under NWT Land Claim Agreements

5. Parks and Reserves	Wildlife Management Advisory Council (North Slope) Secretariat (Yukon)	National Park Committees (one for each part and reserve) Squirrel-Sunrise Management Board (Wood Buffalo National Park)	Inuit Impact and Benefits Agreements (negotiated case by case)
6. Land Use Planning	Land Use Planning Commission Commission	Land Use Planning Board	Nunavut Planning Policy Committee Nunavut Planning Commission
7. Coordination and Dispute Settlement	Joint Secretariat (GNWT) Secretariat (Yukon) Arbitration Board	Surface Rights Board Arbitration Board	To be negotiated

Two levels of economically significant impact can result from the implementation of these management organizations. WHEN ALL ARE OPERATIONAL, THERE WILL BE NEARLY 100 ORGANIZATIONS WITH LEGISLATED, LAND CLAIMS RELATED MANDATES. Each organization will have members who must meet occasionally. Some members will have to travel. Some organizations will pay their members honoraria. Some will have research responsibilities including staff and funding requirements. Some will require the services of a recording secretary and an executive director. Some will have quasi-judicial powers that may require the services of legal counsel. Each organization will require an annual operating budget, which will be a continuing cost to government, and each will command the attention and therefore some level of manpower commitment from some level of the civil service.

Approximately $2.2 million is budgeted annually by various levels of government to implement and sustain the management institutions created by the Inuvialuit final agreement (Peat Marwick, 1987; GNWT, 1988a). The DM and TFN claim areas are much larger, include more communities with more participants and may require much higher costs for travel and accommodation. While no firm figures are available to estimate the continuing costs of the DM and TFN management institutions, it is reasonable to assume that they will be more expensive than those of the Inuvialuit. THEREFORE IT IS NOT UNREASONABLE TO PREDICT A STABLE LAND CLAIMS MANAGEMENT INDUSTRY SUPPORTED BY A GOVERNMENT EXPENDITURE OF $7-10 MILLION ANNUALLY.

THE SECOND MAJOR IMPACT OF THIS PROLIFERATION OF QUASI-REGULATORY MANAGEMENT INSTITUTIONS MAY BE A TIME CONSUMING, UNPREDICTABLE AND THEREFORE UNWORKABLE REGULATORY PROCESS.[10] The clear message to any proponent of a major development project must be that without the support of the beneficiaries his proposal can be blocked and frustrated in many ways.

THE BUSINESS OF LAND CLAIMS MANAGEMENT WILL CREATE ECONOMIC GROWTH IN THE SERVICE SECTOR, ESPECIALLY IN CONSULTING, TRAVEL, COMMUNICATIONS, LEGAL SERVICES, HOTEL AND MEETING ACCOMMODATIONS AND BRIEF CASE SALES.

1.6 Employment Generation

1.6.1 Employment Within Aboriginal Organizations

In addition to all the resource management institutions created by the claims, a number of more or less permanent organizations will also be created to coordinate and represent the continuing interests of participants. These will include local organizations, such as bands and/or locals, and regional organizations, such as Dene Nation, NWT Metis Association and TFN. They may also include a variety of corporations, financial institutions and businesses. All of these levels of organization will need to be staffed and financed. MANY OF THESE SENIOR AND JUNIOR MANAGEMENT POSITIONS WILL REQUIRE MANPOWER WITH UNDERGRADUATE AND GRADUATE DEGREES.

1.6.2 Job Opportunities in Parks Conservation Areas and Heritage Sites

The land claims beneficiaries may negotiate impact and benefit plans (similar to the IIBA described above) for any existing or proposed National Park, Territorial Park, conservation area and/or heritage site, such as a museum or archaeological site. Among the items negotiable in such a plan are preferential training and employment opportunities. These impact and benefit agreements will be reached and implemented through park or conservation area management committees.

1.6.3 Public Sector Employment

One of the initialled subagreements that will be included in the TFN-AIP deals with "Provision for public sector Inuit employment in Nunavut." This subagreement establishes the objective of achieving a "representative level" of Inuit employment in government. "Representative level" means a level of Inuit employment that reflects the ratio of Inuit to the total population in the claim area. If the population of the TFN claim area is 80 percent Inuit, then the target will be 80 percent Inuit in the public service.

Since many of the post claims management systems call for government attention and participation, growth and/or reorganization of public service manpower will be required. AGAIN, MANY OF THESE POSITIONS WILL REQUIRE EDUCATION AT THE UNDERGRADUATE AND GRADUATE LEVELS.

1.7 Exclusive and Preferential Opportunities

1.7.1 Exclusive and Preferential Uses

The agreements provide for exclusive use of wildlife on all claimed lands and preferential use of wildlife throughout the remainder of the claim areas. A minimum needs equation provides for unlimited use of wildlife until the minimum need exceeds the sustainable harvest. If the minimum need exceeds the sustainable harvest, preferential use becomes exclusive use of the entire available harvest. The wildlife agreements also provide rights to trade, barter and sell wildlife including both edible and inedible wildlife parts. The provisions are intended to assure the continued viability of the subsistence economy. THEY ALSO ALLOW FOR THE POTENTIALLY CONFLICTING DEVELOPMENT OF COMMERCIAL MARKETS IN WILDLIFE.[11]

1.7.2 Rights of First Refusal

The agreements provide a variety of rights of first refusal for the purchase of existing tourism businesses and rights of first refusal to any new opportunities that might arise in the renewable resource or parks based tourism industry. Certain commercial fishing opportunities will also become subject to rights of first refusal. IN THE LONG TERM, PARTICIPANTS WILL HAVE EVERY OPPORTUNITY TO ACQUIRE COMPLETE CONTROL OF THE NWT TOURISM INDUSTRY INCLUDING FISHING LODGES, OUTFITTING AREAS AND NATURALIST LODGES. The current level of expenditure in the NWT tourism industry is approximately $25 million, however it is widely believed that this sector has great growth potential (GNWT, 1988b).[12]

1.7.3 Exclusive Development Opportunities

Exclusive rights convey not only the right to develop a resource but also the right to block anyone else from developing it. Each of the claims will provide a number of exclusive development opportunities. The DM claim provides exclusive rights to outfit big-game hunters for Musk-ox and Wood Bison in their claim area. Both claims will establish exclusive rights to commercially harvest various populations of wildlife. TFN negotiators are attempting to establish exclusive rights to quarry soapstone.

1.7.4 Hunter Support Programs

The desirability of supporting the traditional country food based economy has been widely recognized. Attempts have been made by participants to incorporate wildlife harvest support programs in the NWT claims. The James Bay Cree and the northern Québec Inuit were successful in negotiating such programs and their example is most often advocated in the precedent for

similar programs in the NWT (Ames, et al., 1988). The federal government has taken the firm position that they will not negotiate any new social programs through the claims process (Murphy, pers. comm.; Dewar, pers. comm.). However, the GNWT has indicated that they "will work with the federal government to find ways to use welfare funds to create an income support system...so that a career on the land is a viable option, not a last resort." (Patterson, 1988:4).[13]

1.8 Taxes

Negotiators have not settled taxation questions in the TFN claim, however the DM-AIP contains a number of provisions regarding taxation of the land claim benefits. The cash compensation and any interest earned during the payout period are not taxable. Loans against outstanding capital transfers and any interest earned (up to the amount of interest paid) are not taxable. The first $20 million paid under the provisions of the resource revenue sharing agreement are not taxable. Any income earned on any of these amounts and received by any person other than a settlement corporation is taxable.

The final agreement will establish settlement corporations to receive, manage and hold the funds transferred. These corporations will be subject to certain rules that apply to public foundations and pension funds. For example, a settlement corporation may invest in a business but may not own or control it. A settlement corporation is under certain obligations to disburse its income to its beneficiaries but will be exempt from these obligations during the first 15 years after the first installment. INCOME EARNED BY A SETTLEMENT CORPORATION IS TAXABLE, BUT PAYMENTS FROM THE SETTLEMENT CORPORATION RECEIVED BY PARTICIPANTS OR BY OTHER DM ORGANIZATIONS MAY BE TAX FREE IF THEY QUALIFY UNDER A LONG LIST OF TAX WRITE-OFFS.[14]

Unimproved lands are not taxable. Improved lands and/or leased lands are taxable according to laws of general application. In contrast to the Alaskan situation, settlement lands may not be seized or sold for taxes. Similar provisions will apply to municipal lands.

1.9 Implementation

In 1984, Cabinet approved $55.2 million to cover the costs of implementing the Inuvialuit final agreement. This appropriation covered one time only costs such as surveying, eligibility and enrollment, as well as start-up costs for the various institutions and operating costs for the first ten years (Peat Marwick, 1987). The continuing costs of implementing final agreements have been recurrent points of negotiation between the aboriginal organizations and the various levels of government charged with responsibilities under the claims. PENDING CLAIMS WILL INCLUDE IMPLEMENTATION PLANS IN THE FINAL AGREEMENTS (INAC, 1988a, b). An implementation plan is currently being prepared for the DM claim and a rough figure of $65 million has been mentioned (Bayly, pers. comm.).

1.10 Summary of Economic Benefits

PENDING LAND CLAIM AGREEMENTS WILL HAVE A STRONG IMPACT ON THE ECONOMY OF THE NWT OVER THE NEXT 25 YEARS. THE BUSINESS ENVIRONMENT WILL BECOME MORE PREDICTABLE AND ATTRACTIVE. SETTLEMENT CORPORATIONS WILL CONTROL LARGE FUNDS CAPABLE OF EARNING AND DISBURSING HUNDREDS OF MILLIONS OF DOLLARS ANNUALLY. DISPOSABLE CASH INCOME SUPPLEMENTS WILL HAVE A TREMENDOUS IMPACT ON LOCAL ECONOMIES. Additional income will be earned from resource revenue shares and land development agreements. Resources will be developed and managed with the full input and influence of the beneficiaries through a complex system of

quasi-regulatory institutions, which will also provide a substantial continuing supplement to the travel and accommodation industries. Many employment opportunities will be generated in the aboriginal organizations. The creation and development of national and territorial parks and reserves will generate another major source of employment. Development of tourism and other renewable resource industries will be largely influenced and controlled by the land claim beneficiaries. Growth in that sector could also result in significant employment opportunities. Tax incentives will favour the establishment of large investment funds and the disbursement of earnings to elders, low income participants, human resource development and community enhancement.

1.11 Conclusions

Reduced risk and increased cash flow resulting from land claims benefits will generally improve the environment for business in the NWT. THERE ARE MAJOR INCENTIVES FOR PROLONGING THE CASH ACCUMULATION PERIOD FOR AS LONG AS POSSIBLE. FORECOING SHORT TERM BENEFITS WILL GREATLY INCREASE LONG TERM BENEFITS. In addition to revenues generated by investments, there will be significant, but less predictable, income from resource royalties and land development.

There will be a large number of opportunities for beneficiaries to participate in a variety of resource management institutions. Appropriate training would greatly increase their effectiveness. However, the proliferation of management institutions could result in a sluggish and unworkable regulatory process.

THE LAND CLAIMS SETTLEMENTS WILL GENERATE A LARGE NUMBER OF EMPLOYMENT OPPORTUNITIES FOR BENEFICIARIES WITHIN THEIR OWN ORGANIZATIONS, WITHIN

GOVERNMENT AND IN THE PRIVATE SECTOR. THE INFORMATION AND SERVICE INDUSTRIES, ESPECIALLY TOURISM, HAVE THE GREATEST POTENTIAL FOR BENEFICIARY INVOLVEMENT.

THE POTENTIAL CONFLICT BETWEEN THE DEVELOPMENT OF WILDLIFE AS A RESOURCE AND SUSTAINING THE TRADITIONAL COUNTRY FOOD ECONOMY WILL HAVE TO BE RESOLVED BY THE PARTICIPANTS. HUNTER SUPPORT PROGRAMS MAY BE PART OF THE SOLUTION.

A variety of beneficial tax write-offs will provide incentives for the beneficiaries to disburse their income in such a way that they might replace, supplement or relieve government responsibility for various social programs.

NOTES

1. The Inuvialuit final agreement specifies a schedule of 14 payments due on 31 December of each year between 1984-97. The total amount of these payments will be $152 million (INAC, 1984).

2. Figure 2.1 shows a comparison of total accumulated capital transfer payments for three scenarios that might apply to the DM.

3. The real value of this income will be reduced by inflation and the per capita dividend will be reduced by population growth. If inflation averages 4 percent per year and population growth remains as high as 5 percent then the fund would have to grow at the rate of at least 9 percent just to keep pace.

4. These loans might carry the same rate of interest available to crown corporations (several points less than the prime rate). For example, if the DM identified an opportunity to securely invest $100 million at 15 percent return, they might be able to borrow against the outstanding principle on their settlement at the rate of 8 percent. The total return on such an investment could be calculated as:

15 percent return - 8 percent interest owed + 10 percent interest due = 17 percent

The Inuvialuit were able to negotiate an interest rate of 8 percent on such loans and have taken advantage of this mechanism by borrowing $30 million on two separate occasions (Peat Marwick, 1987).

5. The secure interest on outstanding payments, the advantageous loan arrangements and the advantageous negotiation loan repayment arrangements combined with a variety of tax breaks are all incentives for fund accumulation.

6. The class B lands include 700 square miles of land to be selected by the DM of Aklavik in compliance with an overlap agreement with the Inuvialuit.

7. Zone A lands will include 50 square miles selected from the NWT portion of Wood Buffalo National Park.

8. Table 2.2 shows a likely scenario for the distribution of claimed lands among the DM regions.

9. Royalty agreements between governments and private industry are subject to intense negotiation and can produce very complicated formulae for calculating royalty shares. Royalties can be based on either production or profits. They can be subject not only to the amount of resources extracted but also to market forces, development strategies of government and management strategies of the developers. The role of the participants in the negotiation of royalty agreements (including such major agreements as the Northern Energy Accord) is unclear. If participants are included fully in royalty negotiations the process will become more complicated and cumbersome. If they are not included their interests may receive less priority than those of the developer and government.

10. For example, a proposal to produce hydrocarbons from the high arctic and transport them by way of the Beaufort Sea and Mackenzie Valley might require the input and/or approval of as many as thirteen separate layers of land claims institutions. In addition, the proposal would have to pass through whatever regulatory process was required by the territorial and federal governments of the day.

11. The potential for conflict between subsistence or informal economy wildlife users and commercial wildlife users must be recognized (Geist, 1988; Nudds, 1988). This potential conflict will not be resolved by the land claims agreements but will be left for the participants to settle among themselves.

12. For example, both Alberta and Wyoming generate approximately $1 billion annually in gross business production related to wildlife (Geist, 1988; Crowe, pers. comm.).

13. The authors agree on four major points made by proponents of a James Bay-Northern Québec style Wildlife Harvest Support Program:

- the subsistence economy is surviving and strong;
- lack of cash flow in remote communities is often the limiting factor to local economic development. Infusion of cash into local economies would initiate multiplier effects and stimulate growth of the small business sector;
- there is unresolved potential for serious conflict between commercial development of wildlife and traditional subsistence use of wildlife; and
- government-sponsored economic support programs have littered the landscape with failed attempts to initiate industries based on wildlife harvesting (Ames, et al., 1988).

We also wish to raise a number of additional points which could be addressed in a critical feasibility assessment:

- The James Bay Cree are sedentary, territorial hunters who exploit predictable moose, beaver and waterfowl resources. Inuit and Dene hunters of the arctic and sub-arctic are more accustomed to unpredictability and cycles of country food availability. They have developed opportunistic hunting patterns and sharing systems, rather than territorial systems, to ensure that people survive through hard times. Therefore, is the James Bay precedent entirely appropriate in the NWT?
- Any effort to subsidize the bush economy should relate incentives to supply. In some parts of the north, use of the wildlife resource is already saturated (i.e., south of Great Slave Lake all registered traplines are already in use). Where are the assisted hunters and trappers supposed to go? Should the support program be related to resource harvest or simply time spent outside the community? Should people harvest a per diem for days spent in the bush?
- After ten years of implementation, many of the James Bay participants do not understand the complex formula used to calculate their benefits (Ames, et al., 1988). An NWT hunter support program should strive to avoid a similar administrative problem.
- The federal government negotiators have stated that they refuse to negotiate any new social entitlement programs (Murphy, pers.comm.; Dewar, pers. comm.). Should the GNWT carry the entire cost of a hunter support program? How can existing resources be reallocated to fund the program?

- To northern aboriginal people, hunting is a meaningful, self-actualizing activity. Hunters take great pride and derive status from their skills and performance. Hunting is a good thing to do. Paying people to hunt rather than receive welfare might have the long-term effect of degrading hunting as a meaningful occupation. Can a hunting lifestyle survive government subsidization? What steps can be taken to ensure the success of such a program?
- There are alternatives to hunter support programs which might provide all the positive results without risking the negative impacts. These include: an elders' support program, a guaranteed minimum wage, or a variety of accelerated dividend programs. Such programs could place cash in the hands of land claim beneficiaries for them to use in hunting or any other pursuit they might choose. GNWT involvement in these programs could be coordinated to assist aboriginal groups during the fund accumulation phase of land claim implementation. When compensation funds are fully mature and yielding dividends to participants, GNWT involvement in these support programs could be phased out.

14. Settlement corporations may make non-taxable contributions to a variety of programs, organizations and individuals. Among the tax write-offs provided are: supplemental funding to existing health care programs; funding for a variety of housing, tax assistance and municipal development programs; funding for education and training; loans and/or loan guarantees for economic development; support for traditional harvesting and cultural activities; funds provided for establishing and operating recreational facilities; funds for elder's assistance (up to $3000 per person over the age of 60 years); and a variety of other permitted costs including transfers to low income participants (defined as a participant whose total family income is less than 75 percent of the NWT average). However, the recipient of these low income payments may be taxed. (See INAC, 1988a:48-50 for more detail).

Table 2.2

A Population Based Scenario for Distribution of Selected Lands in the Dene/Metis Claim Area

Region	Percent of Population	Total Claimed Land (mi^2)	Zone A (mi^2)	Zone B (mi^2)	Zone C (mi^2)
Delta	15	10,500	1980	1020	7500
Sah Tu	15	10,500	1980	1020	7500
Deh Cho	22	15,400	2904	1496	11,000
South Slave	22	15,400	2904	1496	11,000
North Slave	26	18,200	3432	1768	13,000
Totals	100	70,000	13,200	6800	50,000

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CHAPTER THREE

THE NWT ECONOMY AND PREDICTIONS OF CLAIMS IMPACTS ON THE PRIVATE SECTOR

INTRODUCTION

THE ECONOMY OF THE NWT IS POORLY INTEGRATED, POSSESSING A LARGE PRIMARY OR RESOURCE EXTRACTION SECTOR AND A LARGE TERTIARY OR GOVERNMENT AND SERVICE SECTOR, BUT ONLY A VERY SMALL SECONDARY OR MANUFACTURING SECTOR. A further distortion in the NWT economy is the overwhelming role played by government. In 1986 the public sector in the NWT, including federal, territorial, and municipal governments, accounted for 55 percent of Gross Domestic Product (GDP) (Patterson, 1988). The public sector employed 7400 persons, of which 4959 were directly involved in administration, 27 percent of total employment. The public sector payroll totalled over $245 million, or about 35 percent of total wages; this compares with an average of 12 percent for the rest of Canada. GOVERNMENT EXPENDITURES ON CITIZENS WERE THREE TIMES THE NATIONAL AVERAGE (SCONE, 1988). The public sector is growing, especially vis-ā-vis the primary sector: in 1978 the primary sector accounted for 65 percent of total expenditures in the NWT, while the public sector accounted for 19 percent. By 1988, these figures had altered dramatically: the primary sector accounted for 45 percent of total expenditures, while the public sector share had risen to 35 percent (SCONE, 1988:6). CLEARLY, GOVERNMENT IS THE MAJOR PLAYER IN THE NWT ECONOMY.

While the NWT has witnessed rapid growth in Gross National Product (GNP) over the past ten years, an increase of 13.4 percent (compared with 9.9 percent for Canada), most of this growth has been in the public sector. The

private sector has not seen an equivalent growth. Hence, the NWT is becoming even more reliant on the public sector. Government is financed through transfer payments and taxes, but these are not in themselves sustainable as they depend upon federal government policy or on non-renewable resource cycles. Private sector development with an emphasis on next economy (information and service) businesses such as tourism and other services, light industry, renewable resources, and arts and crafts cooperatives can pave the way for greater self-reliance with the opportunity for achieving sustainable growth in the economy.

The population of the NWT is small (approximately 52 000 in 1986), but the demographic mosaic is complex. At least five categories of communities can be recognized in the spectrum. Yellowknife is a large (approximately 12,000), modern government and mining centre. No other community in the NWT comes close to Yellowknife with respect to population size, affluence, economic activity or prevalence of non-aboriginal people (about 82 percent) and culture. A second category of communities is the medium-sized (1000-3500), ethnically integrated (35-60 percent aboriginal), regional centres of Inuvik, Hay River, Iqaluit, Fort Smith and Fort Simpson. These communities have small but resilient business and service sectors and moderate levels of infrastructure development. A third category of NWT communities is the large (500-1500) aboriginal (75-95 percent) centres (such as Rae-Edzo, Coppermine, Baker Lake and Pangnirtung). These are the communities with high growth rates, low levels of infrastructure development, low income levels, high unemployment, and poorly developed business and service sectors. In many ways these communities are caught in transition between traditional, land-based economies and wage-oriented mixed economies of the larger regional centres. A fourth category of communities is the small (50-500) aboriginal settlements

(such as Whale Cove, Colville Lake, Clyde River and Snare Lake) which have economies that remain primarily land-oriented, informal and traditional. A fifth category of communities is the ephemeral, resource extraction-based mining towns like Nansivik and Norman Wells. Pine Point and Tungsten would also have fit this category. These communities are largely self-sustaining and externally oriented.

Any discussion of economic impact must recognize the tremendous variation between these communities and their local economies. Land claim benefits will have very different impacts on the very different economies. Investment and disbursement strategies will have a major influence on the type and amount of benefit or impact felt at the local level. MEGA-PROJECT DEVELOPMENT AND GROWTH IN GOVERNMENT TEND TO BENEFIT LARGER CENTRES WITH MINIMAL IMPACT ON ECONOMIC CONDITIONS IN SMALLER COMMUNITIES. AN EXPANSION AND STRENGTHENING OF THE PRIVATE SECTOR WOULD PROVIDE THE BEST OPPORTUNITY FOR SUSTAINABLE GROWTH IN THE REGIONAL CENTRES AND LARGE ABORIGINAL COMMUNITIES. INCOME SUPPORT AND CULTURAL DEVELOPMENT PROGRAMS MAY HAVE THE GREATEST IMPACT IN THE SMALL ABORIGINAL SETTLEMENTS.

Most private sector activity in the NWT is concentrated in the industrial or non-renewable resource sector. 1988 export and import replacement values give some indication of the dominance of the non-renewable sector: $930 million for non-renewables, and only $108.2 million for non-industrial renewables (GNWT, 1988a) Sales in the service and renewable resource sectors are still small when compared with oil, gas and mining. Renewable resources (fur, forestry and commercial fishing) injected only $9.9 million into the NWT economy in 1987 (GNWT, 1988b). Tourism contributed a further $25 million in business revenues and $12 million in government revenues. The sale of arts and crafts generated $20 million in 1987. THESE SECTORS SHOW GREAT PROMISE

BUT WILL NOT GROW RAPIDLY WITHOUT AN ENHANCED BUSINESS ENVIRONMENT, INFLUENCED BY GOVERNMENT, AND THE FINANCIAL WHEREWITHAL, I.E. INVESTMENT CAPITAL.

In time, settlement of pending land claims can inject new money into the NWT economy in the form of income from cash compensation. These new dollars can provide the foundation for private sector growth. A strengthening of the private sector would help to integrate the economy of the NWT and enable it to better withstand the boom and bust cycles of the non-renewable resource industry. IF GOVERNMENT CONTINUES TO PROVIDE THE SAME SERVICES PROVIDED BY GOVERNMENTS IN SOUTHERN CANADA, WITH ADDITIONAL SERVICES AND SUBSIDIES NECESSARY TO MAKE THE NWT ECONOMY COMPETITIVE WITH THE REST OF CANADA, THEN NEW PRIVATE SECTOR CAPITAL COULD ENABLE THE FORMATION OF SUSTAINABLE NEW BUSINESS VENTURES, ESPECIALLY IN THE MEDIUM-SIZED REGIONAL CENTRES AND LARGE ABORIGINAL COMMUNITIES, LEADING TO HIGHER STANDARDS OF LIVING AND INCREASED SELF-RELIANCE.

Although the DM and TFN land claims have not yet reached final agreement, it is not too early to begin evaluating alternative uses for the compensation funds.[1] The sustainable injection of hundreds of millions of new dollars into the NWT economy is sure to have a sizeable effect. This effect will vary with the type of investment strategy selected; some possible strategies, along with their associated advantages and disadvantages, are discussed below. The Alaskan experience with dividends is also briefly noted.

1.1 Investment Strategies

Five investment strategies for compensation funds are presented for consideration by the beneficiaries of land claims settlements. These strategies are not mutually exclusive, but may be pursued simultaneously in various combinations. Both trust funds and dividend payments are considered,

along with various types of investments such as business risk ventures (where the beneficiaries risk compensation monies to develop new businesses or buy into existing ones) and portfolio management (where compensation monies are professionally managed to maximize returns from investments in stocks, bonds, treasury bills, bank deposits and real estate). A possible combination of the strategies presented is a trust fund with financial investments that pays annual dividends to beneficiaries. The combinations are left open to the beneficiaries themselves for decisions as to their use.

1.1.1 Mega-projects and Local Business Risk Investment

One possible strategy for investment of compensation monies is the pursuit of large-scale business ventures. These may include investments in various sectors of the economy. The primary sector is an option: compensation funds may be used to invest in oil, gas or mining projects, either alone or in joint ventures with established corporations. The problem with mega-projects is that often few spin-offs occur which directly effect most communities and investments come and go depending on commodity prices. There is no way to build an integrated economy on mega-projects alone.

The secondary sector provides more limited opportunities, but possibilities exist in ventures like clothing manufacture and food processing industries. Several of the Alaskan Native corporations, for example, have invested in fish canneries. The purchase of hotels and other tourism-related investments, construction and maintenance companies, and airlines all provide suitable regional investments that have been pursued by other claims beneficiaries. For example, both the northern Québec Inuit and the James Bay Cree have established regional airlines to service their settlement areas and to connect them with southern metropolitan centres.[2] The northern Québec

Inuit and the James Bay Cree have also established construction companies with varying levels of success.[3] Several of the Alaska corporations have purchased hotels in Anchorage.

Local business risk or mega-project investments tend to tie the investor to the boom and bust business cycles of a region. When the regional economy is in recession, so are the investments. While business risk investments can and do provide needed social services in a region, i.e. air service, construction, hotels, etc., they are sometimes imposed artificially on the economy, which limits their chances of survival.

BENEFICIARIES SHOULD ONLY PURSUE BUSINESS RISK INVESTMENT IN THEIR REGION IF THE SOCIAL OR FINANCIAL CRITERIA, AS DETERMINED BY THE BENEFICIARIES, WARRANTS. Local business investments do provide employment and the direct injection of money into the economy. The pattern seen in the cases of James Bay and northern Québec, and especially Alaska[4] suggests that large-scale business risk investments have a poor record. They have not tended to provide capital returns or employment in small communities and these large-scale ventures are not always sustainable over time.

1.1.2 Financial Portfolio Investment Inside the NWT

While business risk investment emphasizes social or income-producing projects, financial portfolio investment is concerned with investments in fiscal instruments, such as small business loans, mortgages, certificates of deposit (available from banks and trust companies), stocks, government bonds, and debentures (a bond backed by the general credit of a corporation rather than by a lien on specific assets). There are limited opportunities for this kind of financial investment within the NWT. There are no locally owned banks or trust companies; funds must be invested in branches of national banks.

This does not necessarily stimulate economic activity in the NWT, as funds may be transferred to other regions by the bank. Decisions, especially who will receive loans, rests on bank policy shaped outside of the NWT.

Stocks and bonds of corporations incorporated in the NWT provide another option, but nearly all such companies are small and carry risk which must be carefully assessed. Mortgages and small business loans are an alternative, but again there is a high level of risk in such investments. If compensation fund principal is invested in high risk investments, there is a chance of practically depleting the principal that restricts both income and the ability to make future investments.[5]

1.1.3 Financial Portfolio Investments Outside the NWT

PORTFOLIO INVESTMENTS AVAILABLE OUTSIDE THE NWT ARE SIMILAR TO THOSE AVAILABLE WITHIN, BUT WITH MUCH GREATER VARIETY IN LOCATION, INDUSTRY, TYPE OF INVESTMENT AND RISK. These include stocks, bonds and debentures, mortgages and real estate, treasury bills, certificates of deposit, etc. High yield and low risk investments are available, and the possibilities for diversifying the portfolio are far greater than in the NWT. For example, Government of Canada or Government of the United States, or even provincially-issued, financial instruments provide high, stable yields with little risk.[6] An investment mix containing stocks, bonds and real estate in southern Canada would provide a diversity not available in the NWT.

Another advantage to investing outside the NWT is that successful investments eventually bring new money into the economy, stimulating employment and growth in personal incomes. Dividends and interest income from southern Canada will be transferred to the NWT, which will mitigate the leakage of money to the South. Moreover, a diversified portfolio is better

able to withstand economic recession. For example, low oil and gas prices may put the NWT into recession, but Toronto real estate may be booming. A portfolio distributed among several regions is better able to avoid business cycle downturns.

Outside investments also bring new money into the NWT on a regular basis and enable the growth of the investment portfolio's principal. IN THIS WAY INVESTMENT PORTFOLIO INCOME CAN ALSO BE USED FOR DIVIDEND PAYMENTS, TRADITIONAL LIFESTYLE SUPPORT PROGRAMS, AND BUSINESS VENTURE SUPPORT, ALL WITHOUT TOUCHING THE PRINCIPAL.

1.1.4 One-Time Distribution of Cash

As noted below in the discussion on dividends, the distribution of funds on a per capita basis has certain advantages over governments expending public funds. Individuals, rather than governments, regional authorities, village corporations or councils, make their own investment decisions and bear the brunt of these decisions directly.

A one-time distribution of compensation monies would give each individual beneficiary his or her own investment capital. With this capital individual choices could be made for portfolio investment, investing in a business, or spending the money on desired purchases. No money would be in the hands of a regional authority or government. This system would inject a large amount of money into the economy, in private hands, at one point in time but would carry considerable risk in the hands of new and inexperienced investors. Once spent or poorly invested a one-time distribution is gone forever.

1.1.5 Trust Funds

Trust funds are distinct investment accounts established to provide a

dependable and on-going source of revenue. The principal of trust funds may be invested in financial or social/developmental assets, but is normally protected from expenditure through controls on distribution. Trust funds produce an investment income that can then be distributed for selected purposes. TRUST FUNDS DERIVED FROM NON-RENEWABLE RESOURCES CAN TRANSFORM A NON-RENEWABLE RESOURCE INTO A RENEWABLE FISCAL RESOURCE, THE PRINCIPAL BEING ANALOGOUS TO THE BREEDING STOCK AND THE INVESTMENT INCOME SIMILAR TO THE HARVESTABLE PART OF THE RESOURCE. Such funds have been established in several areas where non-renewable resources are being depleted: Alaska, Alberta, Wyoming, Montana and New Mexico, to name a few.

TRUST FUNDS SEEM PARTICULARLY GERMANE TO THE INVESTMENT OF COMPENSATION FUNDS FOR NATIVE LAND CLAIMS SETTLEMENTS. COMPENSATION FUNDS ARE ESSENTIALLY ONE TIME WINDFALLS, BUT NATIVE BENEFICIARIES WILL NEED REVENUES STRETCHED OVER TIME TO FUND SUSTAINABLE DEVELOPMENT INITIATIVES. A TRUST FUND WOULD ENABLE THE SETTLEMENT GROUP TO EXTEND BENEFITS IN PERPETUITY. Principal should be invested in a conservative fashion, with an emphasis on high yield and low risk (see section on financial portfolio investments, above). Income can then be used to fund small business start-ups, harvest support programs, dividend payments to individuals, and community projects, among other things.

The funds should be protected against inflation through the redeposit of a portion of fund income back into the fund at a rate equal to the rate of inflation. This will provide real growth, rather than only nominal growth of the principal.

TRUST FUNDS PROVIDE AN IDEAL INVESTMENT INSTRUMENT FOR LAND CLAIMS BENEFICIARIES AS THEY ARE PREDICATED ON SUSTAINABILITY AND TRADITIONAL STEWARDSHIP OF COMMON PROPERTY RESOURCES, AND THEY ALSO BRING NEW MONEY INTO THE REGION.[7]

1.1.6 Dividends

The question of dividends is one that is often raised in the consideration of financial management strategies for land claims beneficiaries. Several of the Alaska Native corporations issued dividends, albeit on an irregular basis, while the Northern Québec Inuit and James Bay Cree decided to forego dividends altogether, at least to date. Arguments in favour of dividend payments include the distribution of wealth to beneficiaries, individual choice in decision-making, and the large multiplier effect on the economy. Arguments against payment of dividends include the need for central direction of investment projects, lack of cash available to pay out, depletion of the total wealth of the regional authorities, and the sometimes welfare-like effects of cash payments to individuals.

THE JAMES BAY CREE, FOR EXAMPLE, DECIDED AGAINST DIVIDENDS BASED ON THEIR EXAMINATION OF DIVIDEND PAYMENTS ON ALBERTA RESERVES. They concluded that dividends were essentially a form of welfare and suppressed individual initiative. They also led to the expectation of support in perpetuity. Others have argued that there is a need for community, rather than individual, decision-making, and that communities should receive funds, not individuals. The Cree have operated on this system. The disadvantage of this system is that minority views on development are not often accommodated in a democratic society.

Dividends have produced a number of advantages that seem to outweigh the disadvantages in most cases. Dividend payments allow individuals to make their own investment decisions and to fund special purchases. They directly inject new money into the economy, tend to increase personal incomes more than equivalent government[8] spending, and tend to benefit the support sectors, especially trade, services and finance. Government expenditures, on the other

hand, tend to benefit the government and construction sectors. DIVIDENDS HAVE ALSO BEEN SHOWN TO HAVE A HIGH MULTIPLIER EFFECT (SEE SECTION 1.2 OF THIS CHAPTER), AND IN THE LONG RUN, TEND TO CAUSE AN INCREASE IN EMPLOYMENT. Dividend payments increase the money supply in the local economy, and new businesses emerge to provide goods and services, bringing new jobs with them. Dividends tend to increase activity in the private sector; this is where the NWT needs to see an increase. Government spending (or spending by Native governments and councils) tends to increase the size of the government sector, which is already large in the NWT. Dividends also tend to increase support for the retention of a trust fund and provide beneficiaries with an opportunity for compensation fund management. A decrease in the dividend size would indicate that investments were not generating an adequate return. A beneficiary is less likely to call for the expenditure of compensation fund principal if his or her dividend is dependent on its existence.

DIVIDENDS SHOULD ONLY BE CONSIDERED WHEN INVESTMENT INCOME IS LARGE ENOUGH TO PERMIT INFLATION-PROOFING OF THE FUND PRINCIPAL AND PROVIDE A SURPLUS THAT CAN BE USED FOR DIVIDEND PAYMENTS. An exception would be early dividends for elders. Special purpose dividends might also be considered, such as those for country food harvest or trapping support.

1.2 The Alaska Dividend Experience

According to a study prepared in 1984 to assess the impact of the Alaska Permanent Fund dividend program (Knapp, et al., 1984), dividends have had an overall positive effect on the Alaska economy. Dividends directly accounted for 17 percent of the increase in disposable income for the period under study, 1981-83. The amount of the first dividend, in 1982, was $1000 US. The second dividend, in 1983, was for $386.15 US. By 1983, 5000 new jobs had been

created in the state as a result of the dividend program. WHILE DIRECT GOVERNMENT SPENDING WOULD HAVE CREATED MORE JOBS IN THE SHORT TERM, IN THE LONG RUN MORE JOBS ARE CREATED THROUGH DIVIDENDS THAN THROUGH GOVERNMENT PROJECTS. The nature of employment also differs. Dividends in Alaska tended to benefit the service sector, while direct government spending benefits the government and construction sectors.

The study also found that few if any people moved to Alaska in order to receive dividends. This is irrelevant for Native dividend programs, since beneficiaries must fulfill certain eligibility requirements. The Alaska dividend program did not have a significant effect on inflation, although it did contribute to increases in personal incomes and in spending for special purchases that would not normally have been made in the absence of a dividend program.

Knapp, et al. noted a disadvantage of the dividend program, however. They indicate that saving government trust fund earnings, rather than paying them out as dividends, increased government assets. An increase in state assets benefits the population as a whole when public revenues will be lowered due to a decline in oil revenues. It is then the state will need the additional revenue to support existing social programs. In the NWT, the GNWT should continue to provide most social services, hence the need for Native beneficiaries to constantly augment the fund principal is not as great. Alaskan dividend experience has indicated the positive contribution of dividends to an expansion of the private sector in Alaska. The same principles can be applied to the NWT, where a great need for private sector growth exists. A TRUST FUND, WITH RELATIVELY SECURE FINANCIAL INVESTMENTS MAINLY OUTSIDE THE REGION AND WITH REGULAR DIVIDEND PAYMENTS, AS IN THE CASE OF ALASKA, IS ONE OPTION FOR IMPROVING THE IMBALANCED ECONOMY OF THE NWT.

1.3 Conclusions

The economy of the NWT is plagued by a small population and by the fact that the population is distributed in a number of different size communities with different economic bases. While over the last decade the total economy of the region has grown, that growth has not touched all communities. Mega projects, for example, are more likely to influence larger communities; small business investments are more likely to influence the larger regional or larger aboriginal communities; and income support programs are more likely to influence small aboriginal communities.

THE CHALLENGE TODAY IS TO FACILITATE ECONOMIC GROWTH IN THE PRIVATE SECTOR THAT WILL INFLUENCE ALL THE DIFFERENT COMMUNITIES. A number of investment strategies are available to beneficiaries of claim settlements. In our view a solid trust fund investment strategy would provide the best vehicle for distributing benefits to all beneficiaries equally. Trust fund dividends would put cash into the hands of community residents and thus provide a base of consumers on which to build a more viable private sector of the economy.

The discussion in this chapter has suggested that the following are the likely impacts that claims settlement will have on the economy of the NWT:

- CASH COMPENSATION WILL STIMULATE THE PRIVATE SECTOR OF THE ECONOMY AND ALLEVIATE THE RELIANCE ON GOVERNMENT;
- COMPENSATION CREATES THE POTENTIAL FOR A MORE SUSTAINABLE ECONOMY THAT DOES NOT DEPEND AS HEAVILY ON NON-RENEWABLE RESOURCE EXTRACTION AND GOVERNMENT TRANSFERS; AND
- CASH COMPENSATION WILL ULTIMATELY, THOUGH INDIRECTLY, INCREASE INDIVIDUAL PUPCHASING POWER, INCOME AND STANDARD OF LIVING.

NOTES

1. The base figure for the DM stands at $500 million in 1990 dollars, as noted in the AIP. As discussed in chapter 2 of this paper, the amount actually received may be far greater, depending on the payment schedule and interest rate. No details are yet available on the TFN cash quantum.

2. The Northern Québec Inuit formed Air Inuit, which is held by Makivik Corporation. It services Kuujjuaq and other northern Québec communities. After several unprofitable years the company is now showing a profit. The Cree formed Air Creebec, held by CREECO, to service Val d'Or and the James Bay region, with connections to Montréal. This airline has recently announced the purchase of a northern Ontario airline that will further expand the service area.

3. More detail can be found in chapter 1, section 5 of this paper.

4. See Robinson, Pretes, and Wuttunee (1989) for a comparison of business risk with financial investment and documentation on the Alaska experience.

5. The Alaska Permanent Fund, an entirely financial portfolio, invests only 5 percent of its assets within Alaska. The remaining 95 percent are invested in the continental United States. The Alberta Heritage Savings Trust Fund pursues a contrary strategy, with more than half of its investments within Alberta. However, opportunities for investment are greater in Alberta than they are in the NWT or Alaska.

6. About three-quarters of Alaska Permanent Fund investments are in United States government bonds and other securities.

7. More information on trust funds can be found in Pretes and Robinson (1989).

8. "Government" in this context and throughout this section refers to Native regional governments or councils that would ordinarily have control over the compensation funds and the ability to direct their use.

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CHAPTER FOUR

IMPACT OF CLAIM SETTLEMENTS ON GOVERNMENTS

INTRODUCTION

Claim settlements no doubt will have an impact on governments and their functioning in the NWT. Presumably claim settlements will enhance the economy of the region and the function of governments will have to be adjusted accordingly. For example, if tax revenues increase there will be more scope for public policy responses by the GNWT. HOWEVER, EXPERIENCES IN ALASKA, JAMES BAY AND NORTHERN QUÉBEC, AND IN THE INUVIALUIT REGION OF THE NWT INDICATE THAT THERE ARE FEW, IF ANY, IMMEDIATE AND DIRECT BENEFITS OCCURRING TO BENEFICIARIES OF CLAIM SETTLEMENTS. Indeed, in Alaska where claimants have had eighteen years to work with a large cash settlement, returns on settlement payments have varied considerably. In areas with timber resources or lands for rent, individuals have, in some cases, realized healthy dividends; in other areas villagers have received as little as $50. But in each of the four claim settlement cases examined in this study, it is very clear that benefits to eligible members were lower than expected and very slow in materializing. In time, perhaps over one or two generations, financial settlements will impact on the economies of the NWT, and hopefully the sooner the better. But if our reading of these cases is correct, having the patience to permit financial resources to work is vital.

1.1 Government Revenue and Expenditures: Financing Dependency

The present picture of public finances of the GNWT is one of dependency on Ottawa. Operational and capital expenditures for 1988 were $797,653,000.

As can be seen in Figure 4.1 (on the following page), 74 percent of the total revenues came from a Government of Canada grant, or $572,213,000. This grant is based on a formula financial agreement, negotiated every five years, which expired in 1988. Ottawa also supplies Established Program Financing and Transfer Payments that amounted to an additional $77,122,000. In sum, the federal government provided approximately 84 percent of GNWT revenues. By way of comparison, Ottawa funds approximately 45 to 55 percent of the total revenues in the Maritime provinces and about 12 to 25 percent of the total revenues in provinces with more viable economies, for example Alberta, British Columbia or Ontario.

The GNWT raised 16 percent of its total revenue. Approximately 37 percent of that revenue, or $45,092,000 came from income taxes; 32 percent from personal income taxes, and 5 percent from corporate income taxes.

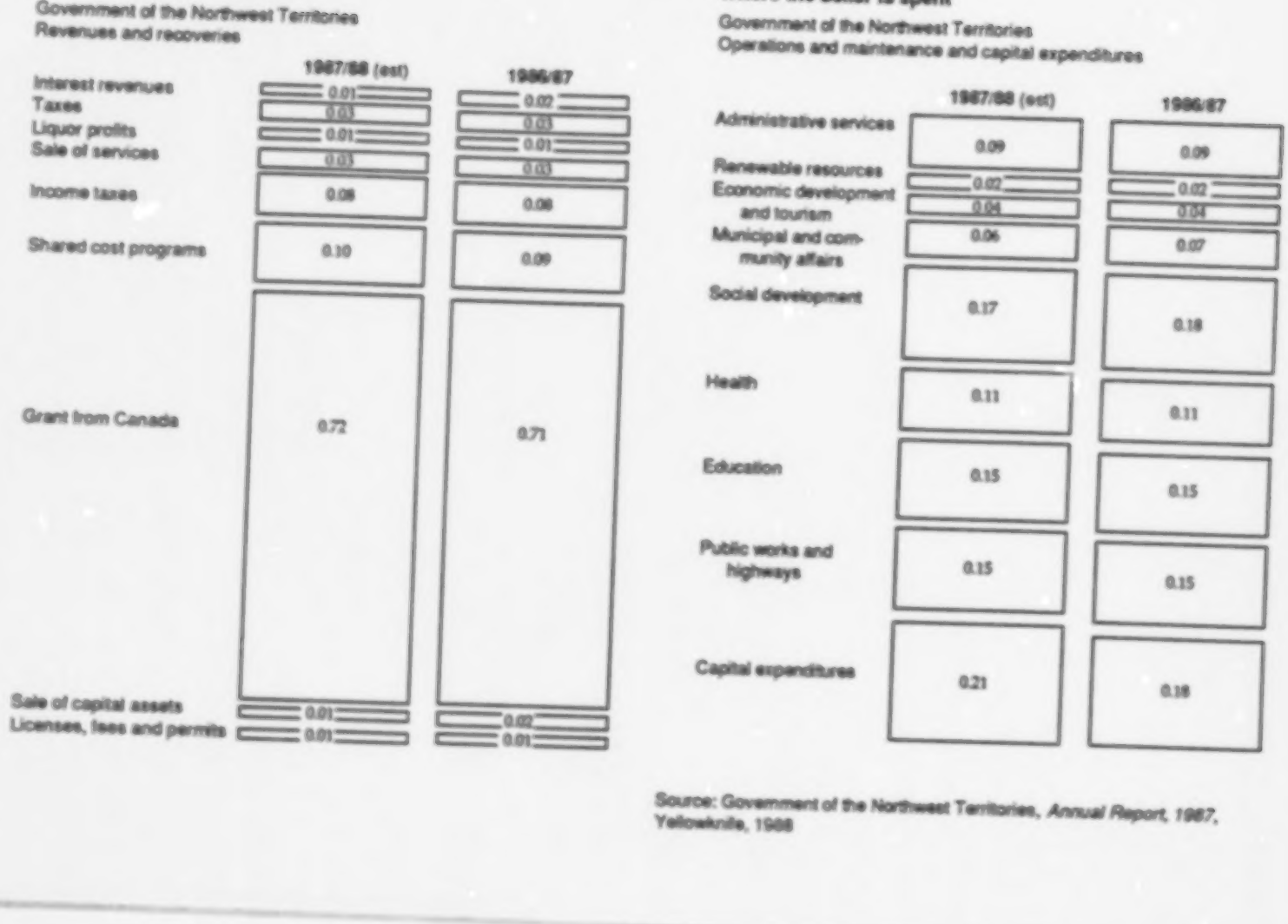
Obviously no province or territory is totally independent of Ottawa funding. Established program financing and transfer payments have become an institutionalized part of our federal process. On the other hand, the NWT has a long way to go to attain a degree of autonomy equal to that of other provinces. A move in the direction of autonomy will be necessary before making arguments about the validity of provincial status. CLAIM SETTLEMENTS, IN THE LONG RUN, SHOULD CONTRIBUTE TO THE FOUNDATION ON WHICH TO DEVELOP A VIABLE ECONOMY CAPABLE OF GENERATING INDEPENDENT SOURCES OF REVENUE.

1.2 An Opportunity to Break Dependency

Over the last 30 years residents of the NWT have become very dependent upon the federal government in Ottawa. And more recently this dependency has shifted to the territorial government in Yellowknife. Reasons for this dependency are many and complex but one cannot overlook the fact that

Figure 4.1

Total Revenues and Expenditures GNWT



Source: Government of the Northwest Territories, *Annual Report, 1987*, Yellowknife, 1988

providing residents in the NWT with services equal to those enjoyed by Canadians in the South finally became a target of Ottawa. In the territories there was no way public revenues derived from the traditional economy would support such a level of services. And many facets of the private sector of the economy remained relatively undeveloped. Thus, the public sector has been required to fulfill many of the basic needs of individuals, needs normally met through the individual's involvement in the private sector. Therefore, governments of necessity developed a host of programs doing things governments are not accustomed to doing, an example being housing. As a consequence, the size of the public sector of the economy is larger than the private sector, and government expenditures per capita in the NWT reach approximately $15,000. This distortion between the size of the public and private sectors of the economy reinforces dependency upon Ottawa.

Again, absolute fiscal autonomy need not be a goal. However, movement toward a better balance between internally and externally generated revenues should be the objective. In order to lessen the dependence of individuals on government there must be greater growth and dynamism generated in the private sector. Claim settlements should provide some of the basic tools to generate this growth and dynamism.

1.3 Providing the Climate for Balanced Economic Development

CLAIM SETTLEMENTS OFFER NATIVE PEOPLE, FOR THE FIRST TIME, SUFFICIENT RESOURCES THAT THEY CAN INDEPENDENTLY DEVELOP THE ECONOMIC BASE OF THEIR COMMUNITIES. Developing that economic base should then provide them with choice - a choice of lifestyles, traditional, modern or a combination of the two. The GNWT should maintain public support of necessary services as this process of change occurs in the NWT.

Traditional government services include, for example, providing security of the individual, educational opportunities, health care and specialized services such as subsidizing transportation facilities. While it may be a great temptation for the GNWT to plunge into new and different "economic development" schemes, we feel this would be a disaster - a disaster for the government and, as well, the people of the territory. FIRST OF ALL IT SEEMS THAT INHERENTLY PUBLIC INSTITUTIONS ARE NOT THE BEST ORGANIZATIONS TO FOSTER ECONOMIC DEVELOPMENT. SUPPORT IN TERMS OF INFRASTRUCTURE, ETC., CAN AND SHOULD BE OFFERED, BUT PRIORITIES AND INDIVIDUAL DECISIONS ON DEVELOPMENT PROJECTS PROBABLY CAN BEST BE MADE BY THOSE CLOSEST TO THE ACTION, THE PEOPLE IN COMMUNITIES AND REGIONS OF THE NWT. Secondly, it would also be a mistake for the GNWT to initiate development projects because it would only further the dependency that has been such a blight on the people in the NWT. CONTROL OF THEIR OWN LIVES SHOULD BE THE FIRST OBJECTIVE IN WORKING OUT GOALS FOR THE FINANCIAL SETTLEMENTS. And the GNWT can assist in fostering this control of their own lives if it plays a secondary role, offering support where it is needed and providing a climate in which economic development can best occur.

1.4 Community and Regional Organizations as the Engines of Economic Development

The role of the GNWT, then, can be seen as one in which it encourages economic development by becoming a secondary and supportive partner in the development process. In this model of economic development, the government does not provide the impetus for growth and development - it is not the engine behind the process. On the contrary, INDIVIDUAL ENTREPRENEURS AS WELL AS COMMUNITY AND REGIONAL PROJECTS ARE THE PRIME FORCE BEHIND ACHIEVING SUSTAINABLE ECONOMIC DEVELOPMENT.

This change in roles may be tough to take for the government in Yellowknife or in Ottawa. In the past, one of the primary purposes of DIAND, or of departments of the GNWT, has been economic development. A general assumption that prevailed for decades was that impetus for change and development would come from these public institutions and their efforts would sufficiently stir the economy that development would somehow "trickle down." In fact, this model of development has never worked. At the same time, there was little opportunity for other choices in the development process. Financial resources in the private sector were never available in sufficient quantities that real economic change and development could be achieved. With the claim settlements, however, the picture can change. Fiscal resources will be available to Native people, and thus there will be an opportunity to reverse the thinking about the engine for economic development. Rather than seeing the federal or territorial governments as the driving force for development, these organizations will play a supportive role. Native organizations will become the senior partner in the economic development process. Individuals and corporations, with financial resources, can determine their own course of action.

1.3 Claim Settlements: An Opportunity for Choice

Claim settlements can offer choice - choice for individuals who in the past have had choices made for them. The very fact that choice may now be available to Native people is important for two reasons. It first of all provides a way of preserving aspects of Native culture. In other words, if Native people desire to maintain at least a part of their culture, they will have the resources to do it. Secondly, offering economic choice, in addition to cultural or political choices, is a fundamental cornerstone in building a

person's confidence in their own abilities. This confidence in one's abilities should enable Native people to come to grips with the social problems that grow out of rapid change and the clash between traditional and modern, Western, industrial and post-industrial lifestyles.

The creation of viable community and regional economies will be a difficult task. As this economic development occurs, it would be short-sighted for governments, federal or territorial, to try to encroach too soon on the benefits derived by Native people. GOVERNMENTS MUST BE RESTRAINED IN TERMS OF THEIR TEMPTATION TO GET THEIR HANDS ON SOME OF THE "PROFITS" DERIVED FROM SETTLEMENTS. In the South, for example, when individuals or corporations receive sudden "windfalls," such as large profits or inheritances, governments do not attempt to pull the rug from under universal services; sudden financial gains do not lead to a selective cutting of services. True, personal or corporate taxes may increase, but all individuals remain eligible for all government services. In fact very profitable corporations may even receive special grants from governments, for instance the oil industry. The same principle should hold in the NWT. If the economies begin to take off and individuals or corporations benefit, their government services should not be jeopardized.

1.6 Government Programs and Claim Settlements

Government programs are instrumental in creating a climate for economic development in the NWT. For example, public policies and programs can directly influence the availability of trained individuals so critical to the formation of a new, more diversified economy. And these policies and programs can influence the building of a supportive infrastructure also critical to the

development of a more dynamic economy. The following are existing programs that may directly influence the effect of claim settlements.

1.6.1 Education

The Department of Education carries the lion's share of responsibility for supplying the human resources required by organizations involved in economic change and development. In addition to the normal job of providing a broad education for young people, the department has two important related goals. It must offer programs designed to fit the needs of individuals of all ages who want to acquire additional skills that can be used in fostering economic development. And the department must make sure it is providing training programs for Native people. In the past, far too many southerners with job skills have been required to fill manpower needs in the NWT. Trained individuals and consultants often are brought in to do the work Native people could and should be doing in their own territory. This situation not only denies Native people an opportunity to move into higher paying and more challenging jobs, but also it builds resentment among Natives toward institutions and programs of government. The problem poses a Mexican standoff.

Proponents of policies of the Department of Education often argue that they offer an array of programs to which Native people might subscribe. In their minds the problem lies with Native people who do not take advantage of existing opportunities.

On the other hand, critics of the department argue that training programs require individuals leave their communities, and often the Territory, to acquire needed skills. They suggest that, particularly for mature individuals who have families, leaving the community is difficult and expensive. Removing

people from their families poses unnecessary problems. If families choose to go out with the mother or father, usually not enough support money is available, causing a real sacrifice.

Given the fact that many Native adults with skills will be needed in order to realize the full capacity of local and regional economies, the Department of Education might reassess its adult training program. More emphasis might have to be placed on programs that contract instructors to go to the communities to teach basic accounting and bookkeeping, business and management, and secretarial skills. Distance-learning programs using conference calls, computers and video technology might also be tried. In short a more flexible program might provide greater opportunity for capable men and women in communities to acquire needed skills. These programs would enable more community residents to become involved more directly in the economic life of the communities without having to go out for extensive training. Many of these people may want to acquire their training and work either part-time or full-time as the local economies have an opportunity to grow.

It is very important to try any program that might entice Native people into furthering their qualifications for taking a more active role in the economic life of the community. It is only this kind of change that can harness the full capacity of human resources in the NWT and thus reduce dependency on human resources in the South.

IN ADDITION TO PRIMARY AND SECONDARY TRAINING, AND ADULT EDUCATION PROGRAMS, IT MAY BE TIME FOR THE DEPARTMENT OF EDUCATION TO DEVELOP MANAGERIAL AND RELATED PROFESSIONAL DEGREE PROGRAMS IN THE NWT. Today it is almost mandatory to have some type of post-secondary education in order to pursue a business career. In the past residents have had to leave the Territories in

order to obtain the relevant qualifications. After the settlement of the remaining land claims there will be an increased need for formal economic development training.

1.6.2 Proposed Department of Transportation

THE DEPARTMENT OF TRANSPORTATION MAY BE THE AGENCY BEST SUITED TO FACILITATE BUILDING PART OF THE INFRACTURE REQUIRED IN SUPPORTING ECONOMIC DEVELOPMENT. In the NWT transportation, for example, is a critical factor to be reckoned with in trying to develop local economies. Communities and regions will need better linkages with other communities and regions as well as southern Canada if economic organizations are going to grow and prosper. The linkages may involve a different road or barge system in the western Arctic, or shipping in the high and eastern Arctic. Or subsidies on all air freight may be required throughout the NWT. In any case transporting goods inevitably will be expensive in the NWT. Not only are distances great and weather conditions a problem but often it is difficult to operate by the principle of economies of scale. Communities are small and back hauls difficult to arrange. Therefore some type of transportation subsidy might be a way to facilitate economic expansion.

But this fact should not be disturbing as a role of government. This type of function is typical of governments. In the South, for example, governments use public funds to provide irrigation for farmers, and many tax write-offs are provided various industries in order to make their position more competitive in the market. Therefore the Department of Transportation should be a major player in assisting communities in the NWT with problems involved in road, water and air transport in the NWT.

1.6.3 Economic Development and Tourism

The Department of Economic Development and Tourism has programs that may assist the beneficiaries of claim settlements. BUT THE CRITICAL POINT IS THAT THE DEPARTMENT PROVIDE THE ASSISTANCE. INITIATIVES FOR ECONOMIC DEVELOPMENT SHOULD BEGIN IN THE COMMUNITIES AND REGIONS, WITH PEOPLE AT THE GRASSROOTS DETERMINING THEIR ECONOMIC PRIORITIES. If assistance is required the Native organizations could approach the department for assistance. Thus, claim settlements should change the role of the department. In the past, the department had the expertise and the financial resources, and therefore provided many of the economic initiatives. After claim settlements, Native organizations will have financial resources and therefore should be able to provide many of their own initiatives. Claim settlements then will provide reason for reversing traditional roles in the NWT.

1.6.4 Renewable Resources

The Department of Renewable Resources also can play a significant role in assisting beneficiaries of claim settlements. Whereas Economic Development and Tourism can work with the new economy, the Renewable Resources Department has the opportunity to facilitate the traditional as well as the new economics of the NWT. The department can continue to assist hunters and trappers in their utilization of wildlife and a number of programs now provide this assistance. The department also has the opportunity to assist Native organizations in furthering economic development by better utilizing resources such as fish and forests. Again, however, the department can assume a supportive role and respond to initiatives from Native organizations.

1.6.5 Housing

The supply of houses in communities has been a contentious issue since the 1950s. For years Native people were critical of the federal government's public housing policies. The Northwest Territories Housing Corporation (1974) was in part a response to this issue. There remain, however, criticisms of housing policies in the NWT: too few houses built for the long line of those waiting. Claim settlements may create the conditions by which the GNWT considers transferring public housing responsibilities to Native organizations. Obviously there would be a necessary transitional period in which the GNWT would provide financial resources. But in the long run Native people might be able to use claim settlement resources to create a self-financed housing program. This could be the case if viable mixed economies develop in the communities.

1.7 Conclusions

In considering the possible impact of settlement claims on governments, GOVERNMENT MUST BE WILLING TO ASSUME A SUPPORTIVE ROLE IN WHICH THEY FACILITATE THE EXPANSION OF THE PRIVATE SECTOR OF THE ECONOMY. The private sector, then, not the government, will be in a position to provide most of the needs of individuals in the NWT. Therefore claim settlements, potentially, will enable Native people to gain more direct control over their own lives. IN THE TRANSITIONAL PERIOD, IT IS CRITICAL THAT THE ROLE OF GOVERNMENT WILL BE THAT OF THE SUPPORTER, NOT THE INITIATOR.

IN OUR OPINION THE FIRST PRIORITY FOR THE GNWT SHOULD BE TO FULFILL ITS TRADITIONAL ROLE OF PROVIDING EDUCATION. The Government, or more specifically the Department of Education, should review its commitment to educating young people; providing the necessary educational background so that Native youth

have a range of options in terms of their career aspirations. A fundamental education in primary and secondary schools should provide the base for training required for a career in the bush economy, a career in small business, a professional career or a combination of these options. This early education is critical in maximizing individual choice.

SECONDLY, THE DEPARTMENT OF EDUCATION SHOULD REVIEW ITS COMMITMENT TO ADULT EDUCATIONAL AND UNIVERSITY DEGREE PROGRAMS. Native adults particularly must be able to move into positions of management required in administering the new organizations assuming responsibilities after claim settlements (see Table 2.1 on pages 66 and 67). Making adult education programs accessible in communities must be a first priority in order to avoid depending on southern expertise. It is only with sufficient education that Native people will be able to successfully manage settlement cash in such a way that the private sector of their economy works for them.

IN PARTICULAR THE DEPARTMENT OF EDUCATION SHOULD CONSIDER THE CREATION OF MANAGERIAL AND RELATED PROFESSIONAL DEGREE PROGRAMS IN THE NWT. A USEFUL ADJUNCT TO THESE DEGREE PROGRAMS WOULD BE THE CREATION OF A BUSINESS INCUBATOR SECRETARIAT TO NURTURE SMALL BUSINESS START-UPS.

THIRDLY, A NEW DEPARTMENT OF TRANSPORT MIGHT CONSIDER WAYS TO ASSIST BUSINESSES IN CUTTING TRANSPORT COSTS. Businesses in the NWT are at a terrible disadvantage because of low volume and high transport costs. Just as governments in the South assist farmers, and small and large businesses, the GNWT might consider a policy designed to cut transportation costs. Making the price of goods sold in the NWT closer to prices experienced in the South would be a stimulus for business activity.

AN FINALLY, ADMINISTRATIVELY THERE MAY BE AN ADVANTAGE IN COMBINING THE ECONOMIC DEVELOPMENT ROLES OF THE DEPARTMENT OF RENEWABLE RESOURCES AND

ECONOMIC DEVELOPMENT AND TOURISM. THESE FUNCTIONS COULD BE FUSED UNDER A DEPARTMENT OF SUSTAINABLE ECONOMIC DEVELOPMENT. Coordinating economic development activities under one roof might be a way to save on personnel costs, and would entrench the critical linkage between environment and economy in GNWT developmental operations.

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CHAPTER FIVE

FOUR INVESTMENT SCENARIOS FOR LAND CLAIMS COMPENSATION

INTRODUCTION

In Chapter 3 a number of different models of investment strategies were discussed. In this chapter we will describe four investment scenarios in which the consequences of the different strategies will be assessed. The four represent distinctly different ways settlement cash might be used. The ideal scenario may not necessarily be any one of these. Rather it may be a scenario that combines a number of characteristics of each. Understanding the scenarios might help beneficiaries when they are deciding what they want from their claim settlement cash.

1.1 Scenario 1: Give It All Away

In this scenario the beneficiaries' legal representatives receive their cash compensation on whatever disbursement terms are negotiated in the final agreement and proceed to give all of it away on a per capita basis. Each member of the claimant group as defined in the final agreement gets his or her proportionate share of the cash to dispose of as they desire. No cash is retained to fund implementation organizations, and chiefs and councils or regional groups volunteer their services to carry out a minimal level of implementation tasks.

Under this scenario individuals are free to make their own investment decisions. A beneficiary group of 15 000 individuals receiving its

hypothetical cash compensation of $500 million over fifteen years in equal installments would thus earn $975 million with accrued interest, or some $65,000 per individual over fifteen years.

Judging by the Permanent Fund dividend expenditure patterns of Alaskans, individual purchases would create some service industry jobs and stimulate significant short- to medium-term growth in this sector of the Northwest Territories' economy. As Albertan Indians have learned, however, there is a downside to this scenario; once the money is spent, it is gone forever.[1] The Stoney Indians of southern Alberta spent $200 million in oil and gas earnings in ten years, and poverty has now returned to their three separate bands. Some Stoney Indians cannot afford milk and diapers for their children.

If anyone has benefitted from the Stoney's resource earnings, it has been the service sector of Calgary, the large city 25 miles to the east of the reserve. While the three Stoney Bands have developed a string of small business ventures over the past decade, only a restaurant and a gas station remain as viable businesses. Gone or dependent on subsidies are a game park, several tourist developments and a saw mill operation. A similar pattern is possible for Northwest Territories beneficiaries if this model of investment is chosen for land claims' cash.

With few or no formal implementation structures in place, beneficiaries' interests with respect to land and environmental stewardship would continue under government control, and the tradition of government paternalism would be reinforced. Given that governments and claimants have pursued settlement of land claims to improve social and economic conditions, this scenario is very bleak indeed.

To summarize, scenario 1 offers the following advantages: immediate windfall cash to all beneficiaries, individual choices in utilizing the cash,

a boost to the service industries of the NWT economy, increased local employment, and a minimum of administrative problems. At the same time there are disadvantages: all the settlement cash is distributed in a short time frame, few long-term, collective benefits occur, and related jobs and employment benefits diminish over time as the cash is spent.

1.2 Scenario 2: Regional Corporations Spend the Principal on Local Business Risk Investments

In this scenario the beneficiaries decide to follow a similar expenditure pattern to that adopted by Native Alaskans, largely because of the terms of their final agreement. Through the mechanisms of Native-owned trust companies and aggressive development corporations, the beneficiaries' entire cash compensation is invested in a number of local, regional and Territorial business risk investments. In this way controlling equity positions are bought in existing companies and some new ventures are begun. Typical business investments likely include a few saw mills, some hotels, a fish cannery, two or three regional airlines, drill rigs, several road construction companies and some office buildings in regional government centres. This is basically the investment strategy of existing development corporations of the Dene, the Metis, the Inuvialuit, the Inuit of northern Québec and the James Bay Cree.

Because of the focus on business risk investment, few scholarship or bursary programs are undertaken, and there is an immediate need for consultants to provide legal, financial and administrative advice and support services. Some of the beneficiaries immediately question this reliance on consultant expertise and political opposition to external managers arises when their decisions deny employment to beneficiaries.

Given that a significant portion of the economy of the Northwest Territories depends upon mines and oil and gas development, economic booms and busts in these sectors will directly influence all of the related service industries. As we have seen in the case of Alaska, economic busts will take a heavy toll on profitability in the Native business sector.

Faced with declining revenues in a recessionary period, several of the local businesses created under this scenario go bankrupt and investment of the beneficiaries' principal is written off. Also, faced with a souring business climate, there are pressures to take environmental risks that normally would not be considered.

At the level of implementation structures, a significant bureaucracy is created to steward investments and manage new lands and legal rights. Political pressures develop between the consultants managing the business investments and the Native politicians responsible for the non-business activities. As business fortunes rise and fall, so do the political pressures. Beneficiaries who see high priced outside help managing failing businesses will increasingly wonder what good the settlement is to them in the absence of cash dividends, training programs, and other tangible benefits.

Under scenario 2, regional corporations use settlement cash to invest in local, regional and Territorial businesses. The advantages of this scenario are: cash infusion for existing businesses and the creation of new businesses, some local employment in businesses, and dividends paid to beneficiaries from corporation profits. The disadvantages are: investments are at risk of Territorial, national and international business cycles; business markets are limited due to small and dispersed Territorial population; considerable dependence on outside expertise for management skills; little involvement by beneficiaries in management; little impact on

the bush economy; and the usual conflict between the drive for corporate profits and the call for social benefits.

1.3 Scenario 3: A Developmental Trust Fund is Created to Steward the Cash Compensation Principal

In this scenario the beneficiaries immediately opt for a trust fund approach (modelled on a slightly more aggressive version of the Alaska Permanent Fund) and carefully define their investment philosophy. It is decided to forego any dividends for the first five years of the implementation period, with small exceptions permitting immediate payment of elders' dividends and an effective scholarship program. The beneficiaries decide amongst themselves to stipulate a secure, blue-chip stock, treasury bill and Canadian Savings Bond investment mix (with no more than a 5 percent holding in Northwest Territories established businesses), and require annual inflation proofing of principal before any dividends are allocated. An excellent team of portfolio managers is appointed to execute the investment philosophy on behalf of the beneficiaries.

After the five-year period of no dividends, the beneficiaries decide to issue modest annual dividends in the range of $500 to $1000 per capita on the basis of fund performance. The expenditure pattern of these monies proves to parallel the Alaskan experience, and a significant boost is given to the information and service sector in the Territorial economy. As well, families who desire to move back onto or remain on the land now have additional dividend cash to purchase necessary capital equipment.

To enable Native business start-ups in the information and service, tourism and culture, renewable resources, agriculture and secondary manufacturing sectors, a beneficiaries' small business development program is

created with interest income, and is designed to provide aspiring entrepreneurs with loans and grants for new venture start-ups. This program works in close association with the newly created GNWT small business incubator secretariat, a mobile group of consultants providing legal, accounting and administrative support to new venture start-ups. Businesses that plan to supply the services and goods demanded by the expenditure of beneficiaries' dividends are given a first priority under both new venture support programs.

Again in cooperation with the GNWT, the beneficiaries implement an enhanced scholarship program. The goal of the new program is the preparation of beneficiaries for the assumption of major roles at all levels of the implementation structure. Cash awards are given to graduating high school students to enable them to attend the college of their choice, and to college graduates who seek graduate school or professional training. A parallel bursary program is established to reward achievement at technical colleges and trade schools.

All of the above programs in scenario 4 are managed by an implementation group with neat and clear authority lines. The final agreement leaves no room for post-claims interpretation, and re-negotiation of details is kept to the absolute minimum. To guide the beneficiaries, an implementation guide is prepared in plain English (and the appropriate Native languages), and is widely distributed. This guide contains straight forward descriptions of all beneficiaries' rights, settlement lands policy, environmental stewardship policy and associated regulatory regimes, and details investment philosophy, mix and management processes for the trust fund. No communication problems exist between beneficiaries and leaders because clear lines of responsibility are spelled out.

The advantages of scenario 3 are: security of cash investments, interest on investments is used for ongoing dividends to all beneficiaries and to support business investments, equal distribution of dividends, opportunity to change the mix of investments due to changing market conditions, investment decisions are in hands of financial experts, and management is responsible to beneficiaries. Disadvantages would include: forced austerity as time is needed to build up principal, limited direct cash infusion in NWT economy, initial dependency on outside portfolio managers, and limited short-term employment opportunities.

1.4 Scenario 4: The Cultural Ark

This scenario draws heavily on the writing of author Hugh Brody,[2] and appears to offer the possibility of returning to the land-based or bush economy as a viable option for large numbers of people. In this scenario the beneficiaries would first of all invest all the claims cash principal in a portfolio management regime similar to that described in scenario 3. The principal would be inviolate, inflation-proofed on an annual basis, and yield annual interest and dividends (perhaps once again after a five-year dividend holiday to build up to the principal). However, instead of supporting small business development in the sustainable sectors and scholarships and bursaries (which have the ultimate effect of removing people from the bush economy), the trust fund dividends and interest would be applied to an aggressive program of hunter and trapper support.

With settlement lands intact, the beneficiaries in this scenario forbid any industrial development on their lands, and return to the ways of the river, the bush, the trapline and traditional inter-settlement commerce. Cash in this society provides a few external food staples (such as flour, tea and

sugar), and all of the capital equipment requirements for fishing, hunting, trapping, travelling and living in the bush. As a consequence of these necessary expenditures for capital goods, the non-Native service sector in regional government centres and large aboriginal communities is the recipient of a business windfall.

External environment-economy linkages are of great significance to the beneficiaries in this scenario because the bush food chain is the principle source of community food supplies. As a consequence, local self-reliance demands careful monitoring of sources of upstream effluent, wind-borne industrial pollutants, and systemic toxins. Maintaining a sustained yield of country food is another challenge of this scenario. Recent demographic projections for the Northwest Territories reveal a continuance of the highest birth rate in Canada for many beneficiary communities. Overhunting and fishing by increasing populations will place the food supply at risk.

Given the remote and isolated nature of many bush community settlements, the best implementation structure for managing this form of final agreement is one featuring clear-cut local autonomy. Under one umbrella final agreement the individual first nation governments set up traditional practices of self-government.[3] Community self-reliance is a dominant theme in this scenario, and local political leaders take decisions with significant local consequences on a daily basis.

Under scenario 4, cash support is directed principally at the bush economy. Its advantages include: an option for individuals to sustain and further develop the bush economy, an opportunity to further the cultural values associated with the bush economy, growth and employment in sectors of the NWT economy supporting the bush lifestyle. The disadvantages are: there is only one option for beneficiaries to use cash - in the bush economy, other

sectors of the economy could stagnate, and the great emphasis on the bush economy could have a negative impact on the environment if over harvesting takes place.

1.5 Conclusions

The four scenarios presented in this chapter represent four different investment strategies, from immediate payment of all cash to beneficiaries, to concentration of all investment support in the bush economy. Obviously there are advantages and disadvantages to each strategy. FROM WHAT WE HAVE OBSERVED IN THE CASE STUDIES DESCRIBED IN CHAPTER 1, THE BEST OPTION IS A MIXED INVESTMENT STRATEGY, A STRATEGY THAT IS DESIGNED TO ACCOMPLISH A NUMBER OF GOALS. For us the underlying assumption in developing any strategy should be to make the cash have a long-term impact upon all beneficiaries of claim settlements.

We feel a solid investment strategy would be aimed at three goals. FIRST, A PORTION OF THE SETTLEMENT CASH WOULD BE USED TO PROVIDE DIVIDENDS FOR ELDERS who are not likely to be able to enjoy long-term investment benefits. SECOND, A PORTION OF THE CASH WOULD BE USED TO INCREASE THE RESOURCES FOR SCHOLARSHIPS AND BURSARIES SUPPORTING EDUCATION. Providing elders with immediate benefits and supporting greater educational opportunities would address two crucial problems in the NWT.

THIRD, THE BALANCE OF THE CASH WOULD BE USED TO DEVELOP A SECURE TRUST FUND from which the interest would be used in two ways. Part of the interest would provide regular annual dividends to all beneficiaries on an equal basis. These dividends would represent a cash infusion into every community in the NWT. The effect would be to strengthen the retail and service components of the private sector, thus strengthening the overall economy of the NWT. The

remaining part of the interest from the trust fund would provide investment funds for business at the local, regional and Territorial levels. These funds would assist in building up existing or new businesses in the private sector that could take advantage of the increased cash flow in communities due to dividends to beneficiaries.

The mixed investment strategy should have a lasting impact on beneficiaries and their lifestyle, and local businesses that form the backbone of the private sector of the economy. Settlement cash used in this way should have a lasting impact on the economy of the NWT. It would strengthen the private sector of the economy, and this enhanced private sector would in turn impact on the public sector of the economy. A SOLID ECONOMIC BASE WOULD BE CREATED FROM WHICH PUBLIC REVENUES COULD BE DERIVED, THUS MOVING THE GNWT TOWARDS GREATER FINANCIAL AUTONOMY.

NOTES

1. For more information on the plight of the three Stoney bands see Mark Lowey (1988).

2. See Maps and Deams (1981) and especially the last chapter entitled "A Possible Future" for a detailed discussion of the possibilities of remaining on the land. The People's Land (1975) also speaks to this theme, particularly in its last chapter entitled "The New Frontier."

3. There are broad parallels between this form of implementation structure and that proposed in The Framework Agreement for the Yukon Land Claim (1988). The Yukon AIP proposes the creation of individual Yukon First Nations under an Umbrella Final Agreement, and indicates broad acceptance of many different economic development and social development strategies. A return to the land-based economy is but one item on a long menu.

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RECOMMENDATIONS

The following recommendations are offered by the study authors to the GNWT and Native land claims beneficiaries as a guide to the promotion of cooperation and maximization of potential long-term economic benefits from the settlement of land claims. To tie the research chapters of this report and their conclusions to specific recommendations, we have indicated in brackets after each recommendation which chapter's conclusion(s) it addresses. The recommendations are also presented in a linear developmental sequence starting with problems of IMPLEMENTATION, and then following with TRAINING, ECONOMIC DEVELOPMENT SUPPORT, and INSTITUTIONAL RECOMMENDATIONS.

1. IMPLEMENTATION RECOMMENDATIONS

1.1 THE GNWT SHOULD WORK WITH THE FEDERAL GOVERNMENT AND THE BENEFICIARIES TO ENSURE THAT CLEARLY WRITTEN FORMAL IMPLEMENTATION PROCEDURES AND DELIVERY MECHANISMS ARE INCLUDED IN EACH FINAL AGREEMENT, AND ARE ADHERED TO ON SCHEDULE. (Chapter 1)

Rationale: In the Alaska and Québec case studies economic opportunities were lost and negotiations have dragged on because implementation details were sparse, poorly understood or overly complex. Delays in allocating lands and cash severely hampered the start-up operations of several Alaska regional corporations.

1.2 THE DEPARTMENT OF THE EXECUTIVE SHOULD MONITOR RECOMMENDATION 1.1 AND PREPARE AN ANNUAL EVALUATION FOR THE FEDERAL GOVERNMENT AND PUBLIC DISTRIBUTION. (Chapter 1)

Rationale: Delays in implementation of final agreements will impact GNWT programs targeted at improving the social and economic spin-offs associated with claim settlements. Therefore delays will potentially impact GNWT expenditure decisions and program start-up dates.

2. TRAINING RECOMMENDATIONS

2.1 THE GNWT IN CONCERT WITH THE BENEFICIARIES SHOULD COLLECTIVELY DEVELOP A PLAN TO ADDRESS HOW EXISTING FINANCIAL AND TECHNICAL RESOURCES CAN BE BETTER UTILIZED TO MAXIMIZE TRAINING AND EXPERIENCE THAT THE BENEFICIARIES WILL REQUIRE TO TAKE ADVANTAGE OF ECONOMIC DEVELOPMENT OPPORTUNITIES GENERATED BY THE FINAL AGREEMENTS.[1] (Chapters 1, 2, 4)

Rationale: Time and time again in all four case studies reviewed in this report the problem of low educational attainment and the need for comprehensive training programs for beneficiaries has arisen. Without local expertise in management, the professions and new venture entrepreneurship, the beneficiaries will have to rely on others to guide their economic development programs. As the Alaska experience has shown, external advisors often work to a different agenda, and may recommend culturally inappropriate business risks. Clearly the GNWT will aid the beneficiaries and itself by planning for maximum

benefit from training dollars, so that economic development decisions can truly be made by local experts.

2.2 THE CANADA EMPLOYMENT AND IMMIGRATION COMMISSION AND THE GNWT DEPARTMENT OF EDUCATION SHOULD JOIN WITH CLAIMS IMPLEMENTATION AND BUSINESS GROUPS TO CREATE A HUMAN RESOURCES PLANNING BOARD WITH REPRESENTATION FROM ALL ORGANIZATIONS WITH A STAKE IN NATIVE TRAINING.[2] (Chapters 1, 4)

Rationale: The mandate of this board will be undertaking strategic planning for labour force development, commissioning research, accumulating data, and monitoring performance of various organizations that provide training. In the Québec case studies the problem of overlapping mandates was noted, and the GNWT will save money and promote quality training with one unified human resources planning board. The board should be provided with long-term block funding to enable it to benefit from experience and experimentation,[3] and it should fund Native communities to enable them to generate regular information about their own education and job training needs.

2.3 THE GNWT DEPARTMENT OF EDUCATION SHOULD REQUIRE THAT CAREFULLY DESIGNED AND PUBLICLY AVAILABLE EVALUATIONS BE CONDUCTED OF ALL TRAINING PROGRAMS IN ORDER TO CREATE A TRAINING PROGRAM DATA BANK FOR PLANNERS TO DRAW UPON IN THE CREATION OF NEW PROGRAMS.[4]

Rationale: This recommendation also addresses the problem of overlap noted above, and further supports recommendation 1.2 as a cost saving measure for the GNWT and CEIC.

2.4 THE GNWT AND THE BENEFICIARIES SHOULD COORDINATE SCHOLARSHIP, BURSARY AND GRADUATION AWARDS TO PROVIDE INCENTIVES FOR EDUCATIONAL ATTAINMENT. (Chapters 1, 4)

Rationale: The James Bay Cree and the Inuvialuit have instituted scholarship programs, and the Cree have also implemented an educational bonus program. The GNWT could usefully assist in the coordination and monetary support of similar programs for the next generation of beneficiaries.

2.5 AS PART OF ITS SUPPORT PROGRAMMING FOR LAND CLAIMS BENEFICIARIES, THE GNWT SHOULD CONSIDER THE FEASIBILITY OF CREATING DEGREE PROGRAMS IN MANAGEMENT AND RELATED BUSINESS PROFESSIONS IN THE NWT. (Chapter 2, 4)

Rationl: Implementation of the final agreements places a high demand on management skills. Currently many NWT residents travel to Lethbridge, Calgary, Edmonton and Saskatoon for this kind of training, and encounter considerable monetary and social hardships as a result. The State of Alaska now places a high priority on providing these kind of programs within the State educational system.

3. ECONOMIC DEVELOPMENT SUPPORT RECOMMENDATIONS

3.1 THE BENEFICIARIES SHOULD SERIOUSLY CONSIDER THE CREATION OF A DEVELOPMENTAL TRUST FUND TO STEWARD AND SUSTAIN THE CASH COMPONENT OF THEIR COMPREHENSIVE CLAIM SETTLEMENTS. (Chapters 1, 3, 5)

Rationale: WHILE THIS RECOMMENDATION DOES NOT SPEAK DIRECTLY TO THE GNWT, THE AUTHORS OF THIS REPORT CONSIDER A DEVELOPMENTAL TRUST FUND TO BE IN THE BEST INTERESTS OF BOTH BENEFICIARIES AND GOVERNMENT. Clearly the Alaska experience with business risk investment has been unprofitable on average for the period 1974-87. While the Inuvialuit have a considerably better business risk investment record, there is now evidence that the cautious investment strategy of the Cree Authority Board of Compensation is paying significant interest and dividends. The State of Alaska's Permanent Fund also has a stable and impressive rate of return over its history, and its dividend disbursement program has created, through dividend expenditures, some 5000 new jobs in the State during the period 1980-83. Interestingly enough these new jobs have occurred largely in the information and service sector, and unlike government direct spending programs, these 5000 new jobs are largely self-sustaining.

BY CREATING A DEVELOPMENTAL TRUST FUND, CONSISTENTLY INFLATION-PROOFING ITS PRINCIPAL, AND USING THE DIVIDENDS AND INTEREST FOR DEVELOPMENT PROGRAMS (IN SMALL BUSINESS, EDUCATION AND COMMUNITY SERVICES), WE THINK THE BENEFICIARIES WILL ACHIEVE SUSTAINABLE ECONOMIC DEVELOPMENT.

The ideal fund will include both Canadian and international investments, with a strong focus on portfolio management. Dividend payments to beneficiaries should only be considered after sufficient fund revenue is generated. A prudent program of elders' dividends and scholarships could conceptually take place prior to the general declaration of dividends.

NEW JOB CREATION IN SMALL BUSINESSES FOSTERED BOTH BY DIVIDEND EXPENDITURES AND DEVELOPMENTAL ASSISTANCE WILL FURTHER ENHANCE THE MAJOR SOURCE OF WAGES AND SALARIES IN THE NWT.[5]

3.2 THE GNWT DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM SHOULD CONSIDER THE CREATION OF AN INCUBATOR SECRETARIAT TO NURTURE SMALL BUSINESS START-UPS. (Chapter 4)

Rationale: Given the current strength of small business in the NWT, and the likely expansion of small business activity due to investment of claims compensation cash, the GNWT could contribute to the spread of economic benefits by providing and channeling advisory services to start-up entrepreneurs. The secretariate would provide professional marketing, legal and financial advisors with a mandate to travel, and a technical services group to advise on engineering and technical issues and computer applications.

3.3 THE GNWT DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM, THE DEPARTMENT OF RENEWABLE RESOURCES, THE EMPLOYMENT DEVELOPMENT AGENCY OF THE DEPARTMENT OF EDUCATION AND THE CANADA EMPLOYMENT AND IMMIGRATION COMMISSION SHOULD CREATE A TOURISM TRAINING STRATEGY. (Chapter 2)

Rationale: In Chapter 2 of this report we noted that the current level of expenditures in the NWT tourism industry is approximately $25 million. There is great potential for expansion of this industry with the new infusion of claims cash - both Alberta and Wyoming generate approximately $1 billion annually in gross business production related to wildlife.

3.4 THE GNWT DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM, THE EMPLOYMENT DEVELOPMENT AGENCY OF THE DEPARTMENT OF EDUCATION, AND THE CANADA EMPLOYMENT AND IMMIGRATION COMMISSION SHOULD CREATE AN INFORMATION AND SERVICE SECTOR TRAINING STRATEGY. (Chapter 2)

Rationale: While tourism probably has the greatest expansion potential in the NWT because of the infusion of claims compensation cash, we also recommend that the full menu of information and service sector potential business start-ups be reviewed, including financial services, insurance, real estate, transportation, communications, services to business management, amusement and printing, publishing and allied services.

3.5 THE GNWT DEPARTMENT OF RENEWABLE RESOURCES AND THE BENEFICIARIES SHOULD CONDUCT A FEASIBILITY STUDY ON THE DESIGN OF A HARVEST SUPPORT PROGRAM BEFORE THE SIGNING OF THE FINAL AGREEMENTS. (Chapter 2)

Rationale: The potential conflict between the development of wildlife as a commodity resource and sustaining the traditional country food economy will have to be resolved. Hunter support programs may be a part of the solution, and other alternatives could also be considered.

3.6 THE NEW GNWT DEPARTMENT OF TRANSPORT SHOULD CONSIDER THE FEASIBILITY OF A UNIFORM TERRITORIAL POLICY TO CUT TRANSPORT COSTS. (Chapter 4)

Rationale: NWT businesses are at a considerable disadvantage because of high transportation costs. Both locally manufactured goods and harvested natural resources are at a major price disadvantage in southern markets when transportation costs are factored into retail prices. Claims beneficiaries who enter the secondary manufacturing sector or the renewable resource sector as new venture entrepreneurs are predictably going to request transport subsidies.

4. INSTITUTIONAL RECOMMENDATION

4.1 THE GNWT SHOULD MERGE THE DEPARTMENTS OF ECONOMIC DEVELOPMENT AND TOURISM AND RENEWABLE RESOURCES INTO A NEW DEPARTMENT OF SUSTAINABLE DEVELOPMENT. (Chapter 4)

Rationale: The World Commission on Environment and Development in Our Common Future (1987) has clearly indicated the importance of institutionalizing the link between environment and economy. As the beneficiaries spend their cash, many new small businesses will be created in the NWT with a dependence on the environment. There is potential for a conflict between the development of wildlife as a tourism resource and its development as a marketable food or fur product. To the degree that beneficiaries choose to invest in regional mega-projects, there may also be potential for conflict between non-renewable resource harvesters and renewable resource harvesters. However NWT economic growth proceeds, it is time, in our opinion, to recognize that the economy cannot develop without impacting the environment. The challenge for the future is the creation of sustainable development - development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission, 1987).

The Department of Sustainable Development would be responsible for initiating, stimulating and evaluating environmentally sustainable progress. A structural change of this magnitude would attract precedent-setting attention in both national and international political arenas. It would also operationize the beneficiaries' mutual traditions of consensus-based decision making and environmental stewardship.

NOTES

1. This recommendation was also made in The Framework Agreement for the Yukon Land Claim (1988).

2. This recommendation was originally made in Gathering Strength (Abele, 1989), the final report of the Native Employment Training Study. A similar recommendation also appeared in the Framework Agreement for the Yukon Land Claim.

3. This recommendation also was made in Gathering Strength.

4. Again, this recommendation was made in Gathering Strength.

5. For more detail on this sector see the 1988 Annual Report of the Government of the Northwest Territories.

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